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27 December 1985

WEST EUROPE REPORT

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POLITICAL

AUSTRIA

PROBLEMS, CAPABILITIES OF COUNTERESPIONAGE FORCES

Vienna DIE PRESSE in German 19/20 Oct 85 p 5

[Article by Peter Zehrer: "Vienna Remains an International Attraction for the 'Third Man'--Austria as an Espionage Rendezvous for East and West--Its Own Counterintelligence"]

[Text] Cases of espionage are causing a stir again in the Federal Republic of Germany, and frequently there appear to be cross-connections with Austria, the "country of the Third Man." Is Austria really a playground for agents from East and West? Are the Austrian authorities standing idly by as encoded data or high-technology products are exchanged? Are the state police, shown in an unfavorable light by many with neat regularity and with a clear purpose --every bit as skillfully as is done by the disinformation departments of highly developed intelligence services--really that helpless? The subject is complex, interests are diametrically opposed to one another, and many who could talk are keeping silent. Nevertheless an attempt will be made here to cast some light, remove misunderstandings and correct false claims.

Vienna-- the classic espionage turntable. That is how the headlines describe it with neat regularity, that is what authors and would-be authors of nonfiction seek to demonstrate. Whoever penetrates the "inner sanctum" of the Austrian security system, the Ministry of the Interior, is met with a tired smile. "Of course there are quite a few agents in this country" is the truism one is told.

"But an espionage headquarters--that, at best, is something out of bad movies or novels." But this official version is corrected by members of the outfit whose task it is with partly inadequate means at least to keep the activity of foreign agents on Austrian soil more or less under control--in other words, the State Police, who are on the front, as it were.

True, all kinds of information is of course traded--quite often literally under the eyes of the Austrians guardians of order. True, spies are also recruited in this country or dispatched from here to their places of action the world over. True, one is told, there have been occasional murders in this milieu.

There is really no need for eager denials or surreptitiously whispered confirmations. Vienna is--and already was at the time of the monarchy, of the

First Republic, of the Hitler era and especially after World War II--one of the most fertile grounds for agents anywhere in the world. This despite the fact that their activity looks far more prosaic than it does in the thrillers in print or on celluloid.

The cornerstone for today's certainly dubious situation was of course laid during the time of the occupation. Undisturbed by indigenous forces of order, the four occupying powers developed intelligence services which spied on one another every step of the way and which gained worldwide importance at the time of the cold war because they were able to operate here while rubbing shoulders with the enemy.

When Austria regained its freedom and the occupiers withdrew, they left their agents behind. And if one knows the circumstances, one will not even find it peculiar that the espionage organizations of that time look downright tiny compared with those which are established here now. Above all else, the business of finding out what the other side intends is characterized these days by devilish professionalism and perfectionism.

Tracks of Treason, Lies and Often Also Blood

There are several factors which have made Austria, and of course again particularly Vienna, the ideal point of transit and springboard for spies, smugglers and, last but not least, terrorists. To name just a few:

--The geopolitical fringe location at the point of contact between the spheres of influence of the two big power blocs,

--neutrality,

--the concentrated accumulation of international organizations and the holding of internationally significant conferences (MBFR, CSCE and so forth),

--the fact that Austria is the classic initial-asylum country.

All this has placed Vienna in a dubious limelight up the most recent past. Think of the affair surrounding the Walker U.S. spy family, whose head passed on in Vienna some naval intelligence exceedingly valuable to the Soviets, creating one of the biggest espy scandals of the postwar era. The tracks, extending from the initial confusion of the postwar period to the saturated welfare state of the eighties, are drenched with treason, lies, calumnies and often also blood.

One recalls abductions such as that of the dubious Hungarian employee of Radio Free Europe and possible double agent Aurel Abranyi and of CSSR refugee Emil Svec, who surely was playing with marked cards, in the early sixties. One recalls Hungarian Embassy Secretary Laszlo Szabo, probably murdered by Czechoslovak intelligence people, and CSSR Press Attache Ladislav Bittmann, greatly respected by many Vienna journalists, who defected to the United States in 1968, professed there to be an intelligence officer, submitted a whole list of spy suspects and finally published a not uncontroversial but

informative book about the practices of his former patrons in Prague--the intelligence department there--under the title "Disinformation." There was some turbulence in Austria in the wake of that, with the press secretary of the minister of the interior being sentenced as a spy under circumstances which have remained mysterious to this day (a high-ranking member of the state police suffered a like fate many years later under no less dubious portents) --and only a year later there were again grounds for sensational news.

A division chief in the Ministry of Trade was arrested because, for 200,000 schillings, he had revealed the Austrian energy plan--again to Czechoslovakia. In 1969 a code clerk of the Foreign Office on Ballhausplatz was caught in the net of the State Police. He had made his knowledge of secret diplomatic intelligence available to the Soviet KGB. Following some years of relative calm, Werner Stiller, a first lieutenant with the East German espionage center MfS (Ministry for State Security, also called STASI) defected to the FRG and caused a whole avalanche of arrests and identifications of suspects, having brought with him a sizable list of GDR agents. And of course there was again a big stir among the media in Austria.

Downright feeble by contrast appears the attempt by a rather elderly Swiss reserve officer to spy out military occurrences for his superior, the controversial Swiss counterintelligence chief, during Area Defense Exercise 79 of the Federal Armed Forces. It is safe to assume that the armada of freighters coming from the Eastern bloc (all equipped with unfathomable woods of antennas and giant telescopes) which drop anchor at maneuvers with neat regularity is more successful.

The East suffered a painful setback when code clerk Florian Rotaru assigned to the Romanian Embassy in Vienna defected and by "singing" to the U.S. CIA betrayed, among other things, the identity of the already mentioned member of the State Police. In a countermove, CSSR "dissident" Josef Hodic, at one time received by Austria with exaggerated and above all premature hospitality and naturalized, turned out to be a colonel of the Prague StB (the acronym of the intelligence service of our neighbor in the North).

There is almost no end to the list of big and small cases of espionage which started in Austria, ended there or were recorded there only as "transit" cases. Austria itself was affected only very rarely. If this did happen, it did not take very long for one to proceed with one's regular business, even if they were such explosive cases as the one concerning the energy plan or the one concerning the Plansee Works at Reutte, Tirol.

The latter case does show--contrary to the current opinion, also spread by politicians, that "there ain't nothing to be spied out in this country anyway"--that Eastern intelligence services definitely are very much interested in Austrian know-how. (Just as altogether economic espionage is the kind of intelligence activity which predominates in Austria, whether or not it is directed against it.) At the same time, the affair surrounding the Plansee Works showed that Austrian politicians too are not immune against women anteroom agents.

When a communist agent named "Hans Hoffmann" (his real name was Erich Hanns) was arrested after an anonymous tip in November 1964, it caused a veritable chain reaction. In the wake of it, the "resident officer" of the GDR State Security Service, Heinz Paul Neubert, and his wife Liselotte, who in addition to Hoffmann had also been in charge of an engineer named Herbert Stoellner (cover name "Reactor"), were uncovered. Stoellner has passed on the results of 300 Plansee Works experiments, including tests of production procedures with special metals and other things. Neubert's boss, in turn, was one Sigfried Wanka, likewise a German, whose wife Helga had had no difficulty in obtaining a secretarial job in the key area of the national OeVP [Austrian People's Party] headquarters and from there had channeled privileged party information to East Berlin for 3 years. The Wankas, however, also had certain ties with one "Schroeder," alias Herbert Marwegen, who had a job at the Semperit works with access to a great deal of intelligence. However, by the time agents of the State Police went into action the "beautiful Helga" and her husband, both STASI officers, were over the hills and far away.

Austria's dependence on the Eastern bloc in energy supply of course puts the passing on of the energy plan in a quite different perspective from what appeared to be the case at first glance. And Austrian industry, which perhaps is the leader in some areas of high technology, is no less sensitive if an attempt is made to find out about its production secrets. The principal attention of Eastern agents, therefore, is directed time and again at big concerns such as Semperit, VOeST [United Austrian Iron and Steel Works] and, of course, Steyr with its arms production. (At VOeST an industrial spy who had infiltrated the concern was discovered recently--before he had managed to obtain the key position he wanted.)

What does Austria have to put up against this?

First of all, a State Police which from its very inception has been a thorn in the side of the politicians--partly, no doubt, because the wretched Gestapo of the Third Reich was still too fresh in one's memory, but primarily also because solid politicians were afraid that such a police outfit might develop its own dynamics which in the end could also be directed against them.

The laws of the Second Republic ruled out such things almost entirely but did not prevent occasional excesses by the State Police. Elderly people no doubt still remember the affair, today probably relegated to the cartoon page, surrounding some holes in the socks of one of this country's highest political dignitaries sighted by a member of the state police...

To What Extent Is Neutrality Worth Protecting?

Unlike other organizations to which is mistakenly keeps being compared, the Austrian "STAPO" is an integral part of the regular police, can only operate on the basis of the penal code (which is probably its biggest handicap from the counterintelligence point of view) and is of course purely defensive in its operation.

Whoever asks the minister of the interior or his staff about the potential of Austrian counterespionage will get the highly official information that the State Policy can intervene only if Austrian interests are at risk, or actually affected adversely.

In Switzerland--whose laws, because of a determination to defend oneself, differ somewhat from the Austrian ones--a quite significant step was taken by the Federal Supreme Court when it allowed the security authorities also to take action in cases where agents do not devote themselves only to Swiss affairs on Swiss soil. In other words, every now and then arrests are also made of intelligence people operating in Switzerland against other foreign services. Nota bene: Only every now and then, because neutral Switzerland, which like Austria accommodates UN offices, cannot afford to cause too much international disgruntlement by uncovering foreign agent networks too frequently. As it is, our neighbors at obviously exactly set intervals from time to time proceed against both Eastern and Western intelligence personnel --primarily probably in order to make it clear to the world public that they are at least well aware of the underground war. The official justification, protected by legislation of course, is as follows: "As something worth protecting, neutrality must of course also not be called into question by the activity of agents of others on our soil."

On the other hand, Austrian neutrality, just as deserving of protection--because that is the way the law and opportunism want it at present--is not considered to be in danger as a result of the coming and going of agents and the exchange of intelligence and technology.

There is not just one kind of espionage, however, Thus the passing on of U.S. computer technology by Austrian--but, God knows, not only Austrian--companies to the East was thrown into the big agents' pot despite the fact that it actually does not belong there. Previously U.S. companies had concluded deals for deliveries with Austrian companies and sent hardware and software, and these wandered behind the Iron Curtain. The loud outcry by the Americans, not least by the CIA and the military agencies, was rejected by the Austrian minister of the interior with a good deal of indignation. "Let them sweep in front of their own door and take a look at Switzerland to see what is going on there in this regard," grumbled Karl Blecha in an interview on espionage.

Even the most junior member of the State Police shakes his head over the fact that something like a thousand Soviet citizens (!) are assigned to the embassy and the permanent missions of the USSR attached to international organizations in Vienna. And over the fact that, for instance, they include a diplomat who elsewhere was declared persona non grata because of manifest intelligence activity. The Foreign Ministry, which has to give its consent to the assignment of foreigners to diplomatic service, accepts all this by looking away. Of course, the excuse that one cannot reject a diplomat a priori as long as he is not been shown to have been active against Austria is also used for this purpose. After all, such a rejection might be regarded as an "unfriendly act" by the host country.

There is no gainsaying the fact, however, that it is possible for diplomats in the course of the rotation dictated by their profession to meet a "colleague" in Vienna--for instance at the traditional New Year's reception by the Federal president--to whose spying they put an end in the past. Might such an involuntary bringing together not also be interpreted as an "unfriendly act"--any rate, one harmful to one's reputation (see under the heading of "scandal republic")?

The Vienna agreement (Federal Gazette 66/1966), among other things, states that the personnel strength of embassies should be commensurate with their mission. The personnel strength of the Soviets in Austria--in this small country--is about half of what is in New York and Washington. And in Salzburg there is a Soviet Consulate with a personnel of 24. By counting on the fingers of one hand (or, more precisely, on the fingers of many hands), one can figure out how many are engaged in intelligence activities--mostly under the protection of diplomatic immunity. The State Policy, at any rate, estimate that at least 20 percent of the embassy personnel are agents.

The team of the United States in the traditional convention city of Vienna is only insignificantly smaller than that of the Soviets. And of the not exactly timidly represented French and British it is known that they maintain a whole number of front companies with the sole purpose of having a hand in the intrigues of the powers.

This exchange of blows occasionally is apt to place Austria in a doubtful light. Particularly the Americans are developing a kind of occupier mentality which becomes apparent to this day in the case of official visits (and it does not have to be the President in person). Quite often U.S. bodyguards have pushed their Austrian colleagues aside and brandished their openly carried arms as if they were at home here, simply behaving as if they were in charge. If it is a case of intelligence cooperation--in other words, contacts between the CIA, and also the FBI, and Austrian counterintelligence--the Americans will appeal to Austria as a democratic Western state, to the solidarity of free peoples and to economic cooperation. In subordinate offices, many officials are irritated by the possible cooperation--as per, and only as per, the Ministry of the Interior--with so-called "friendly services," including above all also the Federal Intelligence Service (BfV) in the Federal Republic of Germany but also the organizations of France and Israel.

Of course, if it is for example a question of fighting international terrorism, as agreed in a convention, such cooperation is not only desirable but simply necessary. Of course police have to maintain the closest possible contact across borders if it is a question of bringing narcotic criminals to book. Precisely in this field, of course, a sensational success has been registered in the past few days. What remains problematical, however, is the long-practiced close contact with intelligence services which are "forward" operating--in other words, operate aggressively--while the Austrian State Police, as mentioned, must limit themselves to purely defensive activity.

Only 400 State Police Nationwide

How limited the potential of our counterintelligence is is demonstrated by the fact that it comprises barely 400 persons nationwide--more than half of them in Vienna. Whereas our "friends" in the Federal Republic have to go in for several months of special training, with top officers being trained in a special police academy, in Austria members of the Criminal Police are simply transferred from the theft department to the State Police, which in the last analysis is no more than a division of the Criminal Police. Further training consists in the "on-the-job training" customary hereabouts. Specific training as "political police" appears superfluous, anyway, considering that most of the activity consists in protective and escort service for persons of the most varied caliber and in guarding "buildings at risk," and in light of the fact that most truly relevant State Policy cases, if at all, are handled only very slowly and on the side, and therefore will little prospect of success.

Friendly and (officially) not so friendly colleagues only smile sarcastically at the fact that the whole State Police have only a single observation vehicle, that in the event that they want to clean up a "bug ridden" place they need to enlist the aid of the Postal Department because only the latter has the requisite direction-finding equipment and that, as has been mentioned above, they lack legal cover in front and in the rear.

In light of this, it is something of a miracle that the unloved, underfunded and also otherwise neglected force can point to successes in the area of combating terrorism such as the German counterintelligence people can only dream of. (As a result of the uncovering of a network of GDR agents, the latter recently have become somewhat more subdued again.) The list of successes ranges from uncovering six Arabs who were planning to attack the camp of Soviet Jewish emigrants in Schoenau in 1971 to identification of the OPEC terrorists, to the sentencing of RAF [Red Army Faction] gangster Waltraud Boock, to clearing up the cases of the murderous attacks against Municipal Councilor Heinz Nittel and the synagogue on Seitenstettengasse in Vienna, to the raid of a fancy hotel where heavily armed Pakistanis had made themselves at home.

"We are not as bad as we are made out to be and could do more if we were allowed to do so," many State Police members point out. The way things are, the chances of their being "allowed to" continue to be small.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

HESSE COALITION CRYSTALLIZES POLITICAL ISSUES IN COUNTRY

Hamburg DIE ZEIT in German 25 Oct 85 p 1

[Article by Gerhard Spoerl: "The Gamble of Wiesbaden; Holger Boerner's Red-Green Alliance: Progress or Blunder?"]

[Text] Hesse's Minister President Holger Boerner wants to make come true what he has been only talking about for a long time: the first Red-Green coalition in a German Land. For no less than three years Greens and Social Democrats have been pottering around with a model to share power. Several times the Hessian conditions have been completely out of hand; in both parties the trappers and the mini-Machiavellis had the upper hand. That could now be a thing of the past. Starting in December, if Boerner has his way, Hesse will be governed, as it is customary hereabouts: by majority and by the cabinet. Then Joschka Fischer takes the oath of office as minister for environmental affairs, the first Green high dignitary in the history of the Federal Republic.

If--if the Greens do not act crazy after all, refuse the vote of confidence to Holger Boerner in the parliament or reject the coalition pact over the coming weekend at their Land meeting in Neu-Isenburg. The party is by no means agreed that it can give its blessing to the Red-Green alliance. The "minister faction" is faced by the faction of the "fundamentalists" that is not to be underestimated; the latter maintains the stereotyped position that the "Green identity" is in most serious jeopardy. The federal executive has quickly denounced the Hesse model as a "warning example." No doubt, the sparks will be flying. In the end the Boerner-Fischer government is likely to get to work nonetheless.

The Red-Green coalition is controversial not only with the Alternatives. The middle-class opposition in Wiesbaden now covers the not yet blessed alliance with merciless polemic. The CDU justified its motion of non-confidence by asserting that Holger Boerner made a deal with extremists "who want to bring about the collapse of the state by the wrecking ball." The Frankfurt mayor, Walter Wallmann, predicted decline and mass unemployment for Hesse. In comparison to what is in the offing as ideological conflict, the Kulturkampf of the 70's may soon look like a tired squabble. Boerner's alliance, the CDU/CSU and the FDP hope, will be highly useful as an election gimmick.

"Chaos in Wiesbaden," that is what industry is afraid of above all. Spokesmen of Hoechst AG,--as the biggest employer and taxpayer in Hesse a power in its

own right--have threatened to move to a federal Land with a comfortable government; at least that is how they were understood at first. The enterprise which had to experience how three of its leading employees were fined for about DM 60,000 because they had secretly introduced poison into the Main River is frightened. The National Association of German Industry urgently warns against the "environmental hysteria of the Greens"; small and medium-sized enterprises, it is claimed, would necessarily postpone new investments on account of the unsettled political situation.

But let us not exaggerate things: The threats are as legitimate as--for the time being--they are empty. At any rate: The warning shots have scored. The warnings set rather narrow limits to a Red-Green coalition government.

It is notable that only the opponents act as if the Wiesbaden alliance is an event of historical importance. Its advocates act modestly, almost meekly. It has been a long time since Willy Brandt last spoke cheerfully-provocatively of the "majority this side of the CDU/CSU," which will be tried in Wiesbaden for Bonn. And Holger Boerner, the architect of the new alliance, is on guard against any exuberance. He has achieved, for better or for worse, that Hesse constitutes a special case rather than an inevitable experiment of slight commitment at present. He does not set any course, especially not into another republic. He merely helps the Hesse citizens to a new government adventure and the public to a remarkable premiere.

The federal SPD cannot observe the Hessian premiere with the same equanimity. The play is being staged at the wrong time, the stage direction of the Social Democrats has experienced some changes in the meantime. The goal is no longer a "left of center majority" including the Greens. Since Lafontaine in the Saar area and Rau in North Rhine-Westphalia have achieved victory on their own, this is the sight the SPD has set for itself in 1987: a majority for the Social Democratic Party by itself.

Not every word uttered by Johannes Rau all over the country right now must be taken too seriously; he is a novice who must first learn his role as a chancellor candidate. But Rau's intention to reject the Greens as junior partner corresponds to his lasting conviction. With cool calculation he courts the "Helmut Schmidt clientele," as Ralf Dahrendorf calls the anti-ideological voters who unreservedly advocate an enlightened market economy as well as the sovereign exercise of the governmental power. The daring Hessian coalition is outside the usual line. Boerner does not disavow Rau. But he provides new arguments for old questions: Where is the SPD really heading? What marching rhythm does it choose? Who determines the direction?

Now Boerner's Hesse alliance need not necessarily become a millstone around Johannes Rau's social democracy. It all depends how things work out in practice. Three variants can be imagined.

In the first case the Red-Green alliance fails miserably--because the Greens utterly fall out with one another beforehand and reject the pact; because its minister, if the government is really set up, makes a fool of himself; or simply because the coalition does not function. Above all the Alternative

Party will have to pay for it. In all probability it will then finally break apart. The "realistic politicians" will again look for a home with the SPD, the "fundamentalists" will go back to their origins, the small, politically insignificant sects. For the Hessian social democracy this means new elections and the danger of losing the power in a traditional [SPD] Land.

In the second case, Hesse gets a rather normal government. The Red-Green coalition adjusts itself to the facts, it is uncomfortable, now and then comes up with a symbolic action, however, does not disturb the course of the business affairs--neither those of Bonn nor those of big industry. That will continue to be guaranteed by Holger Boerner, however groggy as he may be healthwise and politically, a practitioner of power without illusion who will not get involved in a rash conflict with the big coalition consisting of industry, commerce, banks and labor unions at the Rhine and Main rivers. The SPD makes it clear that it will only make a deal with the Greens if it cannot help itself otherwise. The Greens once again are what they have to be in order to be able to survive: a media event.

In the third case, the Red-Green coalition will put on some luster. Prudent ideas on the changed industrial society and its post-modern mentality are cautiously put in effect. A skillful, knowledgeable environmental affairs minister pedantically sticks to rights and laws and gains laurels even from the conservative public. The Greens no longer appear as the bogeymen of the middle classes; they are converted to fighting realism. The synthesis of economy and ecology, which the Social Democrats, too, are looking for, develops in conflict according to the rules with industry, the labor unions and the associations. The Red-Green alliance does not appear so wrong and unfathomable even to the middle classes.

Whatever the end may be--at any rate Hesse develops into the politically most interesting of all Lands of the Federal Republic. The Wiesbaden experiment helps to achieve new clarity.

The Greens are condemned to success. If they use their opportunity correctly, they could establish themselves in the party system at least in part in the function of a leftist ecological FDP; no more is in store for them in the present constellation. However, if the Greens fail they shrink back to a marginal importance--welcome in the local parliaments, unnecessary in the Land parliaments, once again cast out from the Bundestag.

But the SPD must now wake up from the healing sleep which has enveloped it since October 1982. Nobody can reproach Johannes Rau that thus far he--as Helmut Kohl before him--preferably had his feelings permitted to act. In the long run, however, he cannot give the impression that the SPD is the way he is: gregarious and without internal contradictions. He must take a position, enrich slogans with substance.

Whether it is intentional or unintentional, the Hessian experiment contributes to the clarification of the fronts in our political system. Therefore it does not come at the wrong time. Under the circumstances putting it to the test was unavoidable. Holger Boerner has taken the test upon himself. Therein lies his merit.

POLITICAL

FEDERAL REPUBLIC OF GERMANY

GDR FINANCING OF OVERT, COVERT ACTIVITIES IN FRG DESCRIBED

Frankfurt FRANKFURTER ALLGEMEINE ZEITUNG in German 26 Aug 85 p 12

[Article by Helmut Herles: "A Party-Financing Scandal Too: The East-Berlin-Fostered DKP and its Fraternization Plans"]

[Text] As long as there are vigilant social-democratic trade unionists in the DGB, the DKP will have trouble with its infiltration strategy. Not all social democrats are as naive as some members of the peace movement. They by no means see in the communists welcome fellow marchers in this fall's demonstrations and "action weeks". One of them is the chairman of the social-democratic sub-district Recklinghausen, a social-democratic bastion in North Rhine Westphalia, the press spokesman of the Mining Industrial Union, Horst Niggemeier. In the union newspaper, EINHEIT, he examines the SED's west program closely. In the process he measures Honecker's words against the SED's deeds. Honecker is one of the signers of the Central European Security Conference Final Act, in which we read: "Therefore the participating states will... refrain from... direct or indirect support... for subversive or other activities."

Niggemeier shows how the DKP is financially fostered and simultaneously controlled by the SED. This is the responsibility of the West Section (Section 70) of the SED Central Committee, led by the 54-year-old Herbert Haeber. Since 1984, it seems, this has been relabeled the International Politics and Economics Section, "for purposes of camouflage." A staff of around 200 is employed in the west program. Each SED district has its "adopted district" in the Federal Republic. Select and tested party-lining SED officials visit them as a "traveling cadre". Each year a framework plan is laid down jointly by SED and DKP. Thirty teachers are employed in the SED's "Franz Mehring" party school in East Berlin, which serves only DKP members. Each year it seems 300 West German communists have gone to this "cadre-factory", some for year-long courses. To date, over 4,000 DKP members have attended this SED party training. This political and conspiratorial training costs the SED several million marks a year, to which must be added health and recreational stays.

Data for all this are stored in an electronic data processing installation at the SED Central Committee: regular exchange of DKP members' records allows oversight. The infiltration strategy is served by the question

asked DKP comrades, "on behalf of the data-hungry friends on the SED Central Committee," as to which social democrats and union members have been conversed with, and as to whether the DKP officials saw any probability of getting positions in the firm or in the union. During the exchange, the DKP (and thus the SED) wanted to know if the communists were readers of NACHRICHTEN, a paper published by members of the DKP Board on union issues from the communist viewpoint. In Niggemeier's words, "This communist indoctrination in NACHRICHTEN is not made any more acceptable by the fact that the former head of the Printing and Paper Industrial Union, Leonhard Mahlein (DPD) became a copublisher immediately after his retirement."

The DKP party-financing scandal, about which hardly a soul is excited in West Germany, is described as follows. Month after month, it seems, Huber's couriers channel at least 5 million marks into the Federal Republic. Other remittances to the DKP are handled through the communist network of firms in western Europe. The DKP could not be financed with the income from members' dues, which amount to around 6 million marks. Niggemeier calculates that the upper-level staff of several hundred in the Düsseldorf central office, and in the 12 regional and about 200 district offices, need more money than the income identified in the BUNDESANZEIGER amounts to. To this must be added institutes, night schools, and around 1,000 company and neighborhood newspapers. The old-communist Josef Steidl, leader of the Commerce Section of the Central Committee, is, it seems, responsible for the fact that the DKP is in the black--it is, proportionally, the best-off party in the Federal Republic. Under this innocent name the whole logistics of the west program are handled.

The warning by the Mining Union paper and its social-democratic editor-in-chief is equally valid for the DGB and for its party. For the communists are staking everything on achieving campaign alliances with social democrats and non-communists on the occasion of the DGB's action week "against mass unemployment, social-program cutbacks, and the planned adverse changes in the business chartering law," planned for 14 through 20 October. In Niggemeier's words, "The democratic forces have indeed underestimated what is actually going on behind the scenes at the DKP. 'Backstage' in this case means East Berlin, and the regular parties in the Federal Republic, and the unions too, still observe in only a very limited way, if at all, what goes on there quite without reference to the SED politicians' official rules of the game." Without expressly mentioning his own party or its working groups with ruling communist parties or the SED-SPD agreement on a chemical-weapons-free zone, Niggemeier is clear enough: "Over against the overt Ostpolitik of the regular parties and unions in the Federal Republic stands the purposeful and covert SED west program, with a complex multitude of organizational ramifications of a conspiratorial type.... Knowledgeability about the communist west program in the Federal Republic, which is the very point of contact between freedom and unfreedom, can help in avoiding such errors. Vigilance just continues still to be the price of liberty." This trade-unionist and social democrat sees as the chief error "that the expansionary drive of the state systems inimical to freedom is underestimated."

It is not surprising that the DKP, despite its usual soft tones in speaking to social-democratic union members, ranged in on the social-democratic editor-in-chief, among other things with a reference (prejudicial with the peace movement and with the left wing of the SPD) to his being a reserve officer of the Bundeswehr and to his printing Constitutional Court reports (see the communist UZ for August 16 and 20). This could really be no discredit in an SPD for which, 25 years ago, the then candidate for chancellor Willy Brandt in Hannover united a clear analysis of the soviet system with a clear definition of the SPD policy toward the communists. But the climate has changed. Even Peter Glotz, who cannot be accused of any "contact phobias", has difficulty in fending off the SHB, which wants to carry over onto the SPD the "campaign unity" it practices in the peace movement and with some unions.

The communists write about campaign unity as if it were already an accomplished fact: Niggemeier, with his attacks on "the campaign unity of social democrats and communists", serves, it would seem, increasingly as an excuse to "beat the drums" against the united preparations for the DGB action week in October (UZ July 25). The communists still hope to detect a sympathy for their campaign-unity plans that is nourished by naivete and boredom, by know-nothingism and arrogance. To date the old-line SPD seems to be sleeping through the conflict. So it is a glimmer of hope that a member of the SPF party board, the former union leader Georg Leber, even today still speaks out univocally against the mixing of fire and water. The former chief of the Construction Industrial Union wrote to the editor of his Mining colleagues: "It is good that the differences between freedom and communism are made so clear in EINHEIT. Only thus will we be able to hold our ground and not fall into a whitewashing of the totalitarian ideology of the East."

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CSO: 3620/62

POLITICAL

FEDERAL REPUBLIC OF GERMANY

GREENS' FEDERAL SUBSIDY CURRENTLY HIGHER THAN LAW PERMITS

West Berlin TAGESSPIEGEL in German 4 Oct 85 p 2

[dpa article: "Between 1980 and 1984, Greens received two-thirds of revenues from Federal Government--Party's account statement submitted in Bonn"]

[Text] Between 1980 and 1984, the Greens received roughly two-thirds of their revenues from the Federal Government. This is revealed by the latest party account which was presented yesterday to the press in Bonn by the National Manager of the Greens, Walde, and Treasurer Hermann Schulz. Schulz expressed the hope that conscious awareness among party members would change to a degree that the Greens, within the years 1986 to 1989, would receive sufficient revenue of their own in order to be able to reduce--as required by law--to below 50 percent the share of election campaign expense reimbursement of total revenues.

Schulz also remarked that it would be naive to ask the Greens to waive part of the campaign cost reimbursement in order to decrease at this early date--sooner than prescribed by law--the government quota of revenues to below 50 percent.

In this context, Schulz and Walde directed sharp criticism toward the Federal Press Agency. During the past week, the Press Agency had disseminated to journalists an abbreviated article from the CDU (Christian Democratic Union) magazine "SONDE" regarding the finances of the Greens. Wrong statements and lies had been spread in this article--among others, that the Greens had also received money from the Libyan revolutionary leader, Kadhafi. Equally false was the statement that the Greens would use "contributions that are worth money" by their members and enter these as donations. The Party would take legal action against such remarks.

According to the Greens, the revenues of the federal party and its state coalitions in the amount of DM 43.3 million are opposed by expenses in the amount of DM 26.4 million. The assets of the party, which has 39,700 members, were shown to be DM 27.5 million. Relative to the years 1980 through 1984, the fraction of election campaign expense reimbursement amounted to 69.1 percent.

The statement shows election expense refunds of DM 4.9 million for the national elections of 1983, DM 16.1 million for the European elections 1984, and DM 3.2 million for seven state elections. The Party received DM 5.5 million in the form of donations, 37 of which were individual donations in excess of DM 20,000 that have to be identified according to party law. These so-called major donations all came from representatives of the Lower House, of Europe and state representatives who pay over to the party the difference between their compensations and the wages of a skilled worker. The amounts differ, since the representatives remitted money for different time periods in 1984. Front-runner is former Lower House representative, Gabriele Potthast, with DM 74,404.

The largest expense items are: Public relations and elections with a total of 10 million DM. The same as other parties, the Greens also must charge their general expenses against election campaigns, said Treasurer Schulz. The Greens show personnel cost with DM 1.6 million, one-third of which is incurred at national headquarters in Bonn. No salaries were paid in the Saarland and the state coalition Berlin, which has been dissolved in the meantime.

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POLITICAL

FINLAND

ASSESSMENT OF JUST PUBLISHED PAASIKIVI DIARIES

Review by Max Jakobson

Helsinki HELSINGIN SANOMAT in Finnish 19 Nov 85 pp 3, 18

[Review by Max Jakobson of book "J. K. Paasikiven päiväkirjat 1944--1956. Ensimmäinen osa. 28. 6. 1944--24. 4. 1949." [J. K. Paasikivi's Diaries 1944--1956. First Part. 28 June 1944--24 April 1949] WSOY 1985]

[Text] The first part of President Paasikivi's diaries comes out today.

Max Jakobson states in his assessment that the publishing of the diaries without abridgement is a wise decision. Deletions would have aroused suspicions. Now the raw and turbulent truth of the time unfolds from the book as a painful event.

The time of war reparations, the war crimes trial, refugees, and of food supply concerns was a "dreadful" time for Paasikivi. He guided Finland into new relations with the Soviet Union, but from 1946 he made a definite distinction between the security interests of the Soviet Union and the power aspirations of Finnish Communists. His skill as a statesman based on his vast experience became especially apparent in the negotiations on the YYA [Friendship, Cooperation, and Mutual Aid] Pact, writes Jakobson.

Professor Jukka Nevakivi has found new information from Paasikivi's diaries on how Finland acquired credits from the United States with the knowledge and approval of the Soviet Union. Paasikivi comprehended that the Soviet Union needed Finland's war reparations just as much as Finland needed dollars in order to pay them.

First A New Foreign Policy, Then Domestic Democracy Had To Be Saved

The foreign policy of a small state is the continuous adaptation of one's own interests to the framework created by outside power factors and internal resources. As the leader of Finland's foreign policy Juho Kusti Paasikivi considered and reconsidered our country's possibilities daily during times of crisis in a changing situation on the basis of a profound knowledge of history and international politics for the purpose of retaining our independence and system of government as well as developing the economy.

In his diaries, the first of part of which from 28 June 1944--24 April 1948 [sic] has now been published, he continuously polished his political tools. Almost daily he recorded reports on discussions, observations of events in Finland and abroad as well as historical reflections for future use and reference.

In making preparations for important discussions he recorded "notes" in his diary, from which he composed his own speeches. From time to time he compiled extensive assessments of the situation and operational instructions, which he then read out loud to members of government and other influential people.

As the editors of the book state in the preface, it is clear that the diary was also intended to be made public. It is Paasikivi's turn to speak -- in part an indictment, in part a defense -- in the court of history. It is a textbook on foreign policy for posterity.

The decision to publish the entries in the diaries in an unabridged form was certainly wise. Each deletion would have caused suspicions and speculations.

Indeed, the consequence is that the book contains a lot of repetitions and also trivial points. But life is tautological and the work of a chief of state includes daily matters also. Thus the raw truth of those years with all their chaos unfolds from the pages of the diary and inundates the reader.

A Change of Direction

The first entry is from June 1944 when Finland was struggling for its existence under the pressure of the Soviet demand to surrender and the German threat of occupation.

Paasikivi was then and also later of the opinion that peace should have been concluded in the spring of 1944 already even under the threat that it would have resulted in a German reprisal and the occupation of Finland.

It is difficult to agree with the concept after the fact. If peace had been concluded according to Paasikivi's advice, Finland would most probably have become a battlefield for Germany and the Soviet Union along with the consequences which have been seen in Eastern Europe.

Judging from the entries in the diary, Paasikivi's stand was influenced by a profound disappointment and bitterness as a result of the fact that he was left out of the peace-making process. At this point between him and Marshal Mannerheim there appeared a gap which was never completely closed.

However, it was to the good fortune of the country that Paasikivi was excluded at that time. In the fall of 1944 he was able to assume the reigns of government free of all burdens.

The situation was "dreadful": Paasikivi used this word repeatedly in his diary. The expulsion of the Germans, the relocation of the Karelians, the building of a war reparations industry, the securing of a food supply, the whole

process of postwar redevelopment seemed to be a task of overwhelming magnitude. But the demand to change political direction overrode all this.

Paasikivi repeated over and over again that Finland's policies must never be allowed to be turned against the Soviet Union: Soviet leaders must be made to understand and be convinced of this.

This presupposed a far-reaching change in Finland's political life. The Communists were to be accepted as partners in cooperation in full standing, individuals with a compromising attitude toward Germany were to be removed from visible positions, "new faces" were to be elected to parliament, and public opinion was to be taught to adopt a friendly attitude toward the Soviet Union.

The process was agonizing, but familiar to Paasikivi: he himself was a victim of a similar change in direction in 1918.

War Crimes

The condemning of political leaders during the continuation war as war criminals was, however, initially too much for Paasikivi. He considered that they had been condemned foolishly and erroneously, but they could not be condemned according to Finnish laws. He opposed a special retroactive law. But he gave in after observing that the condemnation of war criminals was for the Soviet Union an acid test of the credibility of Finland's change in direction.

Paasikivi complained several times that he did not receive visible support from the president in this matter. It was, of course, understandable that the High Constable could not have readily joined the demand to condemn men with whom he had led the country together during the whole duration of the war. Even otherwise, the old tired soldier was no longer able to adapt to the pace of social changes.

But as Paasikivi noted in his diary several times, the transition from war to peace would not have gone as well as it did without Mannerheim. Mannerheim's prestige was indispensable.

This was understood in Moscow also. It was made clear on the part of the Soviet Union that Mannerheim would not be brought to trial.

From this it could be concluded that it was not Stalin's objective to thrust Finland into a state of chaos and by this means place it under communist rule, but that he wanted the situation in our country to become stabilized on the basis of the prevailing system.

Defense Pact

Mannerheim, for his part, saw early on that the security policy interests of Finland and the Soviet Union would converge in a changing international situation. He outlined the first draft of the YYA Pact in January 1945 already. (He was assisted by wartime Chief of Staff General Heinrichs, who 3 years later presented the most important section in the negotiations on the pact.)

At that point in time Paasikivi was prepared to actively promote the matter of an agreement:

"I said that I consider such an agreement important to us. It would stabilize and strengthen our position. Mannerheim was of the same opinion."

But Moscow was silent. "They do not want to conclude an agreement with me," surmised Mannerheim. It is more probable that the Soviet leadership did not consider such an agreement with Finland as necessary at that time. Peace had not yet been concluded, Finland was under the authority of the Control Commission.

The Soviet Government did not return to this issue until after the peace treaty was concluded in 1947. But Paasikivi adopted a restrained position at that time. This was the result of changes which had taken place in the international situation. The alliance of victor states in World War II had begun to dissolve, the Cold War was beginning, and the ideological struggle was reflected in Finland also.

Cold War

In the fall of 1944 Paasikivi had embraced the concept according to which the inclusion of Communists in government cooperation was a more prudent alternative than isolating them in opposition. The Communists were to be assimilated into the Finnish system.

Paasikivi used the Swedish word inlemma, the meaning of which practically speaking is the same as Urho Kekkonen's use of the word integrate, which was fashionable in the 1960s, in his famous Ostrobothnia speech.

But the increasing power aspirations of the Communists and the methods used by the State Police, which was directed by them, to violate the legal protection of citizens began to be of increasing concern for Paasikivi. The information obtained from Eastern European countries on the means used by Communists to concentrate power into their own hands gave reason for him to deliberate where the distinction lies between the justified security interests of the Soviet Union and the Communists' aspirations to power.

When he was elected president after Mannerheim in the beginning of 1946, Paasikivi wrote his program in the diary under the title "My Policy", in which he gave priority to "a strong and sincere friendship with the Soviet Union"; "Finland's foreign policy must not be allowed to result in the fact that it would be in conflict with the Soviet Union."

But then:

"Finland's international sovereignty must be restored." Having observed from a certain PRAVDA article that the Soviet Union used the definition of state independence for the position of the Baltic countries, Paasikivi noted in his diary that "we must henceforth talk about sovereignty".

The program continued: "No interference can be allowed in Finland's affairs. Finland's domestic policy depends on the composition of parliament... The legal system and legal protection of citizens must be maintained."

Coup d'Etat

The change in Paasikivi's attitude toward the Communists is clearly evident in diary entries after the beginning of 1946. There appear ever more frequent doubts regarding the reliability and patriotism of the Communists, references are made to events in Eastern Europe, and there are mentions of a possible coup d'etat in the making in Finland.

Paasikivi began to make a more definite distinction between foreign policy and domestic policy. In an extensive report submitted to the members of the Council of State [cabinet] on 2 June 1946 he emphasized first the fact that in foreign policy Finland will adhere strictly to the line pointed out by him, but "in domestic issues and all policy that does not concern agreements with the Soviet Union, we will be independent Finns and our parliament will decide in all these issues -- this we cannot give up".

It was in accordance with this principle that he also treated all those difficult questions which continuously arose in Finnish and Soviet relations.

When Finland received an invitation to a conference on the Marshall Plan, Paasikivi was initially of the opinion that the invitation should be accepted, but when the Soviet Union expressed a strictly negative stand, he turned down the invitation by referring to the fact that the Marshall Plan had become a conflict of interests between the super powers, in which Finland did not wish to become involved.

On the other hand, Paasikivi rejected the Soviet demand to obtain 50 percent of the shares of key state enterprises from property held by Germans in Finland as indemnity. He talked about "national defense" in this connection.

He used the same phrase in opposing the Communists' demands to eliminate the protection against the dismissal of civil servants since he considered the nation's civil service to be a bulwark which must not be abandoned.

Bobrikovites

In September 1946 Paasikivi wrote that "if my policy is not sufficient for the Russians, they have no other alternative but to begin ruling the country with terror and bayonets". He continued his thoughts by deliberating the question as to whether he had gone too far in his policy of compliance. "I am an Old Finn [in Finnish history a promoter of the Finnish language and an advocate of a concessionist policy by means of conciliation with Tsarist Russia], but not a Bobrikovite [Bobrikov was a Russian Governor General of Finland appointed in 1907]."

Later in February 1948 Paasikivi wrote that it was humorous that he, a former advocate of compliance, had to impress a tougher stand in the defense of our rights on the minds of former advocates of a passive resistance on the left

and on the right: "Everyone wants to lie down before the Russians and I have to try to hold them up from behind."

According to the diary, during that time Paasikivi went to visit former President K. J. Stahlberg ever more frequently to discuss the situation. Even though he frequently could not carry out his advice, he seemed to have obtained reinforcement for his beliefs from the discussions: constitutional starch for the lapels of an Old Finn.

YYA

When Moscow began to put out feelers about the conclusion of a defense pact with Finland in the fall of 1947, Paasikivi carried out a delay tactic. The international atmosphere had become tense, and in Finland there was great concern about where the country was going under the influence of the Communists.

In this situation Paasikivi feared that the matter of a treaty would encounter strong opposition in parliament. It would have been seen as an attempt to bind Finland to the People's Democrats and even lead social development in our country in that direction.

Paasikivi refused to go to Moscow himself, and when Prime Minister Mauno Pekkala was going there in November 1947 in the leadership of a government delegation, the president prohibited him from discussing the question of a treaty. He was furious when it later became apparent that Pekkala had acted contrary to his instructions with respect to this matter.

The actual negotiations on a treaty did not commence until Stalin sent a letter to Paasikivi in February 1948. Paasikivi's skill as a statesman based on his vast experience crystallized in the masterful manner in which he directed the negotiations on behalf of Finland.

Paasikivi decided that it was not proper for him to travel to Moscow himself so that there would be no obligation beforehand to accomplish an agreement. From the very beginning he linked the parliamentary groups to preparations for the negotiations while clarifying how far Finland can go in making concessions in Moscow. "It is better to let the agreement fall apart in Moscow than in the parliament," he stated.

Thus a division of roles characteristic of democracy was accomplished between state powers. Parliament did not itself attempt to practice foreign policy or anticipate what was wanted in Moscow, but clearly expressed public opinion as the MP's knew and understood it: the vast majority opposed binding the country to superpower politics with military obligations.

The task of the foreign policy leadership was then to determine to what degree this will of the Finnish people was to be accommodated to foreign policy realities.

Parliament's stand represented a strong support for Paasikivi in the negotiations. He could fall back on it in rejecting Soviet demands that went too far.

Also Moscow took the opinions of parliament seriously. This was demonstrated by the fact that even after the signing of the pact Molotov asked Pekkala: "Is it now certain that your parliament will approve the agreement?"

Communists

The negotiating process, in which three parties from the Finnish side were represented -- the government delegation in Moscow, the president of the republic, and parliament in Helsinki -- took a long time. And time worked in favor of Finland.

In giving Finland's negotiators final instructions on 19 March 1948 before their departure to Moscow Paasikivi stated that "Truman's latest speech and the present international situation may be most beneficial to us". He meant the offer of the U.S. president to support every nation which is struggling for its freedom. "It may have the effect that the Russians will not want to intensify their pressure on us."

Foreign Minister Svento, for his part, added that "the international situation has not turned out to be bad but good for us: the events in Czechoslovakia have produced considerable reaction in the world".

Along with the negotiations being conducted in Moscow Finland was waging a parliamentary struggle, which first resulted in the removal of Communist Interior Minister Yrjo Leino after he received a vote of no-confidence in parliament for illegal arrests, then in the election defeat of the SKDL [Finnish People's Democratic League] in June 1948, and finally in the exclusion of the Communists from the government formed after the elections.

Whether or not the Communists were, indeed, making preparations for a coup d'etat in the spring of 1948 is a question for which a final answer will probably never be found. The fact is that Paasikivi himself strongly believed in the possibility of a coup d'etat.

At that time it was generally considered evident that the intent of the Communists' policy was in any event a coup d'etat -- if not in the spring of 1948, then at some later point in time. "The coup d'etat in Czechoslovakia was the most important event of 1948," Paasikivi wrote on New Year's eve. "It aroused the whole world and also made our people take note of what is at stake."

On The Line

The conclusion of the YYA Pact and the expulsion of the Communists from government graphically demonstrated that Paasikivi's aspiration to draw a distinction between foreign policy and domestic policy was a success. In foreign policy it had been possible to satisfy the Soviet Union's legitimate security interests and at the same time protect Finnish democracy in domestic policy.

After having appointed K. A. Fagerholm's Social Democratic minority government in the summer of 1948 the president passionately defended it against the attacks of Communists and the Soviet media.

"In this we cannot give in," he said in March 1949 to representatives of the Swedish parliamentary group. "The composition of the government is a parliamentary matter and it is not an issue pertaining to the Communist Party, Soviet newspapers and radio, and the Soviet Union in general. I am a former Old Finn and this implies that we will go as far in concessions as the vital interests of our people will permit, but there is a line beyond which we cannot go.

The formation of Fagerholm's first government caused a rift in relations between Paasikivi and Kekkonen, which until then had been close. In October 1948 Kekkonen told the president that he was in principle of the same position regarding the Communists as Paasikivi. "The objective of the Communists has always been a revolution." But in Kekkonen's opinion "the struggle had been commenced too early". Communists should have been taken into the government, but not given important posts. Then through peaceful development we could have reached a situation in which we can get along without Communists in the government.

A Realist Politician

Paasikivi's diaries do not produce any such new information which would change our understanding of the major trends of development at that time, but they do contain many colorful details, which supplement our picture of the course of events in those dangerous years.

Above all, the diaries deepen our understanding of Paasikivi as a statesman and a person. We know him as a great realist, who hammered the doctrine of the recognition of facts into the minds of the Finnish people. But he was not a cynic.

"I am a realist politician," he said to Hertta Kuusinen in August 1946. "Last year it was a question of fulfilling the requirements of the armistice, and at that time the Soviet Union had to be given almost all consideration and very little consideration was given to our own people. Now the requirements of the armistice have been met. Now we must have the right to give more consideration to our own people. This is also a realist policy since our own people are also a reality and consideration of their opinions and thinking is also a realist policy."

And he wrote to Eero Wuori in October 1946:

"My heart is exceptionally heavy because of the atmosphere of falsehood and absence of morality in which we must live... I know that in international affairs justice and morality have no meaning... But it is one thing to recognize this and submit to it and it is another thing to publicly proclaim that wrong is right and right is wrong. But in some quarters this is desirable. They want our people to throw themselves on the ground and denigrate themselves by declaring in a loud voice that we alone are guilty and we are the criminals... We cannot reduce ourselves to this since by this means we would destroy the soul of our people."

A Treasure House

Paasikivi's diaries are a treasure house for anyone interested in political history. Unfortunately, its value is diminished by the lack of an index. The book contains names of dozens of individuals who are known to very few readers of today's generation as well as references to events whose recognition poses difficulties from time to time for even an expert on international politics.

It's doubtful that readers of the first part will be consoled by the premise that the second part will include an index. It would probably not really be of help to postpone the reading of the first part until the second part is available since an attempt to read this thick book and simultaneously refer to the index of an equally thick volume would require acrobatic skills.

Captions to photos:

Paasikivi realized that the condemning of war criminals was the acid test of the new Soviet relationship. In pictures 1 and 2 the accused Ryti, Tanner, and Linkomies leave the House of Estates; a police escort is behind the vehicle.

Photo 3: The president's wife, Gerda Ryti, with daughter at entrance to courtroom.

Photo 4: English members of Control Commission, Commander Howie and Colonel Magill.

Photo 5: Relations between Urho Kekkonen and Paasikivi were close until Fagerholm's first government. Mrs. Alli Paasikivi on the left.

Photo 6: Paasikivi greeting Control Commission Chairman Colonel-General Zhdanov at peace ceremonies arranged by the Council of State in February 1947.

Professor of Political History on Diaries

Helsinki HELSINGIN SANOMAT in Finnish 19 Nov 85 p 19

[Article by Helsinki University Professor of Political History Jukka Nevakivi: "Finland Turned to West with Soviet Union's Knowledge"]

[Text] The fact that our government began to seek economic aid from America at the end of 1944 already with the knowledge and approval of the Soviet Union is to be considered the real revelation of Paasikivi's diaries, which appear today.

This detail, which has been kept secret from the public, helps us to understand how Finland succeeded in extricating itself from its postwar problems easier than what it feared. But this also explains Finland's miracle on a broader basis and points to the fact that there prevailed a certain unspoken joint understanding of the country's exceptional position already before the

Soviet Union's other western neighbors finally ended up within its sphere of power.

In discussing the conditions of war indemnity on 25 November 1944 already, Paasikivi proceeded from the fact that foreign credits were needed to put production in motion and that the matter of credit had to be arranged before commitments to final obligations with the Russians could be made.

In the middle of December, 2 days before the signing of the indemnity agreement, the prime minister posed the following question to Colonel-General Zhdanov, chairman of the Control Commission: "Will the Soviet Union give us 'moral' support with its influence in our attempt to obtain credits and assistance from the USA?"

Zhdanov's immediate reaction was one of approval, but he promised to submit the matter to Stalin.

Finally, on 8 March 1945, 10 days before the parliamentary elections, Zhdanov announced that Stalin's answer was that "their only interest is that the war reparations are paid".

"We now left 'moral support' to the side," explained Paasikivi. "I only wanted to openly declare our intentions to him so that there would be no misunderstandings." "This is, naturally, a matter between Finland and the USA," uttered Zhdanov.

Credits and Welfare

Even though the green light for the principle of Western aid was looked upon with approval from Moscow, the Finns were not received in Washington for another 6 months. Even though there was an urgent need in Finland for direct welfare and reconstruction aid as well as credits, apparently there prevailed an understanding in the State Department that the Soviet Union considered Finland within its sphere of interest and would not tolerate any kind of American presence.

Even another argument was presented from the State Department: on the same day that Zhdanov announced the Soviet Union's final approval, Maxwell M. Hamilton, the U.S. representative appointed to Helsinki, came to tell Paasikivi that his government would not in principle approve credits for the payment of war reparations.

In the summer of 1945 Finland's welfare and credit situation became even more critical when it became apparent that Sweden was no longer willing to continue its open-handed funding for the following year.

A very friendly press communique, which the U.S. Government issued on 18 August, in announcing its readiness to reestablish diplomatic relations with Finland, finally heralded a change in its credit policy with respect to Finland.

A delegation led by Finnish Counsellor of Mining Walter Grasbeck, which was conducting negotiations in Washington since the end of the year, succeeded in obtaining promises for a total of 75.5 million dollars -- of which 2.5 million was a gift and 25 million was a previous credit of the Finnish-American Trading Company during the Winter War.

The total amount corresponded to the projected minimum needs of our government for 1946.

"My Initiative"

Paasikivi does not, however, disclose the fact that Hamilton prohibited him from announcing the large loan in his New Year's Day speech. The Americans did not approve of making political capital from it, especially before the outcome of the ongoing war crimes process. There was no desire to give the Finns any reason for wishful thinking.

In May 1946 the country's hard currency situation was at its worst, and Director Sakari Tuomioja of the Bank of Finland went to Paasikivi, who was just elected president, to request that Grasbeck's services be enlisted again: at least 50 million dollars in new credits would be needed for the following year.

However, the Americans were not inclined to discuss additional credits before Finland's final peace treaty was concluded at the peace conference in Paris. In November they were finally ready to receive a negotiator, and even though the invitation contained a stipulation, Paasikivi enthusiastically approved it.

When Grasbeck returned from Washington again and said that he had procured 40 million dollars in new credits, the president noted in his diary: "My initiative was good." (3 February 1947)

Marshall Funds

When Finland had to decide on its attitude toward aid offered in the Marshall Plan to European countries by the United States in the following summer, the economic situation was better than expected in spite of the delay in obtaining credit: "The export industry is doing well (terribly well)," stated Paasikivi in commenting on the situation on 8 June 1947. The value of exports could be counted on to increase 100 million dollars over the previous year.

Thus Finland did not have an immediate need to join the aid program even though Grasbeck warned along with others that a refusal could even result in a freezing of credits already granted.

"The consequence of this can be that we will not receive American credit, and then it may be possible that we cannot meet our war reparations," stated the president himself in deliberating the fundamental risks connected with the decision (21 August 1948). Nevertheless, he did not hesitate to choose a politically better alternative, to remain outside of a Western venture condemned by

the USSR, especially since Finland's final peace treaty had not yet been ratified.

An Exceptional Position in Exports

As it later became evident, Finland's refusal to join the Marshall Plan did not have a detrimental effect on credits obtained later from the United States any more than on procurements of goods. Finland came out of an even more dangerous situation caused by the 1948 YYA Pact with just a mere scare.

It becomes apparent from the president's diary that the U.S. Embassy in Helsinki had issued an intimidating warning of what the pact could mean to U.S. economic aid: "Not one dollar after this," Mr. Warren is quoted as saying.

"A strange people, the Americans," commented Paasikivi, for his part. "The whole time they have tried to prevent us from concluding an agreement, but at the same time have declared that they cannot help us." (27 April 1948)

Managing Director Eljas Erkkö of the Sanoma Corporation, who acted as a contact several times on a trip to the United States, played an important role in Paasikivi's assessment of the situation in June 1948. "The understanding of Finland was too 'alarmist,' but they have now calmed down in Washington," Erkkö told him on 19 June.

Also, as American sources reveal, the president learned that in the future, strategically important products, which in principle were not allowed to be sent to Eastern European countries, would be delivered to Finland.

After the parliamentary elections in July 1948, the U.S. ambassador to Helsinki even confirmed to our Foreign Ministry that it had been decided to place Finland in a different position than the "other countries belonging to the Eastern Bloc" in matters of export (Paasikivi's statement 14 July). Ambassador Wuori, for his part, reported in London that Finland was not considered one of the "satellite countries" there (26 October).

The Bank's Favorite

Even though it had been promised to continue the granting of credits from Washington at this point in time, Finland no longer received or even needed additional credits to any appreciable extent. Approximately half of the war reparations had been paid by July 1948, and the Soviet Union in turn announced that it had reduced the final sum by 50 percent.

The remaining amount, distributed over the next four years, was in the final count paid with the unprecedented export markets brought about by the Korean War. Without minimizing the huge challenge of the war reparations to our national economy, it must be conceded that the short-term dollar credits and the export markets facilitating their payment during the most burdensome phase in 1946--47 were of decisive importance in paying the war reparations.

Paasikivi himself recognized this in his 1952 New Year's Day speech in referring to Prime Minister Kekkonen's statement, according to which Finland managed "without any foreign aid". Even without the Marshall Plan: "With respect to this it should be noted that the foreign credits received in the first years after the war did, however, accelerate the restoration of our production machinery and economic recovery."

It was stated in the conditions of the 10-million dollar credit obtained from the Export-Import Bank in 1948 that it was intended for the use of our wood processing industry only. But even this credit could not, of course, help but be of benefit to production related to the war reparations' effort.

The importance of the economic support received by Finland from this source is seen more clearly in the fact that the Export-Import Bank alone gave Finland credits amounting to more than 135 million dollars by the end of 1948, more than to any other European country after France, Holland, and Italy. In addition to the states identified with the Eastern Bloc, there was a dozen other countries which gave a positive answer to the Marshall Plan offer.

American credits cannot be compared in dollar amounts to the value of war reparations since they were priced at the 1938 level. Nevertheless, the war reparations paid in 1946 calculated according to actual expenditures, one-third of the total value of our export trade at that time (170 million dollars), were probably less than the dollar amounts received from the United States at that time.

The dollar credits were of considerable importance to our economy in the following 2 years also when war reparations amounted to only one-fifth of the total value of exports, which had grown along with the expanded markets.

USSR Needed War Reparations

In the midst of the tribulations of 1948 Paasikivi seems to have been thinking that Finland could depend on American aid even more as the political pressure of the Soviet Union continues (for example, 18 October 1948).

Finally, he did not have to, and it is, indeed, doubtful that he intended to, go beyond his impulses caused by weariness. Probably, he understood that the Soviet Union, which was putting its efforts into reconstruction, needed our war reparations just as much as we needed the credits to pay for them. And he had no illusions that anything other than economic aid -- whether we wanted it or not -- would be forthcoming from the United States at that time.

The confidence enjoyed by the Finns was strengthened when it was observed in the first negotiations conducted in Washington in 1945 that the Finns were on the move merely with business propositions in a commercial sense, as Crasbeck told Paasikivi upon his return.

A corresponding development became apparent over a period of time in Soviet representatives with respect to the Finns. "The Russians placed themselves

more and more on a purely commercial footing," noted Paasikivi on 4 September 1947, according to Counsellor of Mining Kivinen, director of the War Reparations Industry Delegation. "The attitude of the Russians toward us has become better especially after the Marshall Plan... They have now begun to provide us with raw materials. The Russians want to help us so that we can pay off the war indemnity."

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POLITICAL

FRANCE

UPDATE ON UNIONS' FUTURE

Paris LE MONDE in French 27-28 Oct 85 pp III, VI

[Article by Michel Noblecourt: "Unions and Industrial Challenges"]

[Text] The demonstrations organized by the CGT all over France on Thursday 24 October will not have been enough to obscure the failure that the national union group suffered the week before at the Renault plant in Mans. That strike's abrupt abandonment cannot be considered simply an episode in the workers' struggle. All observers see in it a turning point in union action, which must now adapt to the new industrial processes. The battles will continue. The unionism of old is dead, long live unionism! But which one?

The Year of the 30-Hour Week

The unions are not as moribund or as rigid as some people believe or hope. The week just ended saw them deploy some intense activity which was mediating at the very least: the CGT's national day of action, the CGC's [National Confederation of Managerial Personnel] doctrinal "intercongress" on the "new unionism", the congress of the Workers Force metal-workers in Villeurbanne, the national council of the CFDT on unionization. So many demonstrations showing that in each of them, in equal shares, reflection on the future and defense of the existing situation are cohabiting. However, 15 years from the third millennium, these organizations must first answer the question "what unions will exist tomorrow?", while the failure of national negotiations on job flexibility in December 1984 has sown the seeds of doubt concerning their desire, indeed their ability, to play the adaptation game.

The electronic revolution has already begun to turn the working world upside down. Simple beginnings. The year 2000 is no longer a fiction, even though no particular futuristic scenario is a certainty. Are our trade unions, so often described as bureaucratic apparatuses, out of step with business, cut off from a mass of non-union wage-earners, preparing for an industrial society in which machines will do more work than men, in which, after 1990, 6.5 million labor positions will be directly using computers, in which, after 1994, according to the Plan, the average work week will be 30 hours?

Are they ready to adapt to an employment world in which it will be necessary to juggle with lack of qualifications on the part of some and the "requalification" of others, in which clerical workers will be more numerous than laborers, in which managers will be increasingly numerous, in which the development of services will continue, in which businesses will play at decentralization and "flexible" structures while seeking their employees' consensus around their objectives? Such economic and social mutations make change a fervent obligation for the unions. If they are not ossified in a universe that ended with the end of the 19th century, they must make further progress with many changes in order to leap over the obstacle of the passage to the 21st century.

The Bad Image

In an under-unionized country--the unionization rate is below 20 percent--the trade union confederations benefit from a good electoral reception but they have a bad image in the press. A tendency that is growing while the coming to power of the left has not reversed the trend toward de-unionization at all. Unions should be the forces that accompany changes in progress. But they are perceived as curbs. During a recent poll involving 2,194 of its readers, L'EXPANSION¹ found that 80.8 of those questioned believed that wage-earners' organizations "are only interested in defending existing rights". A poll requested by the managers of the UGICT [General Union of Engineers, Administrative Personnel, and Technicians]-CGT² conducted among 780 youths revealed that, although to these future members of managing personnel unionism was "something positive", 55 percent thought that for managers "having unionism is rather useless because practically all of their problems can be settled by individual negotiation." A formidable verdict which is worrisome for the future.

The labor union movement undeniably has serious handicaps. It is, first of all, dominated by the public sector. Distribution of delegates, mandated by the basic unions at the most recent confederal congresses, is enlightening in this regard: 59.2 percent represented the public sector in the CGT in 1982, 51.62 percent the civil service, and 12.07 percent the nationalized companies in the FO [Workers Force] in 1984, 33 percent (according to a poll) represented the private sector in the CFDT in 1985. It is audacious, after that, to speak of flexibility. In the private sector itself, unionism has areas of weakness and sometimes of near-desertion. Twenty-two thousand one hundred and six firms in the private sector have one or several union sections, a rate of 60.48 percent, but that rate--which is obviously no indicator of the number of members--falls to 51.02 percent for firms with 50 to 149 salaried workers, to 50.65 percent in non-food businesses, to 47.66 percent in construction and public works. In the services, banks and insurance companies are the exception that proves the rule of under-implantation.

To ensure their future, unions must therefore invest where they are weak: in the PME's [small and medium-sized businesses]--where already are found half of the salaried jobs--, in the services, among clerical workers and especially the managers. As emphasized last June in Tokyo by the Federation of Those Employed in Metallurgical Industries (FIOM), in which France is represented by the FO and the CFDT, "Unions and their future influence will depend to an ever-growing extent on their success in unionizing non-manual workers". This is tantamount to saying that where these sectors and these categories are concerned, wooden language and stereotyped action are obsolete. The practice of unionism itself

needs to be changed. In France, the CGC and the CFDT are undeniably the most open to adaptation; the CGT and the FO are more traditional and seem to be defending a certain union conservatism and the CFTC is ensconced in an intermediate position. The scenario is rather simple because each organization is aware that to adapt is imperative, but they do not all go so far into the consequences as to draw from them for their own practice. This is where the real cleavage is drawn. A cleavage that goes right through the confederations in particular, as it is true that in business, realism sometimes leads to more flexibility.

"We are Fighting for What we Have Gained"

The CGC set the scene at its recent intercongress by emphasizing that unionism "is not the short-sighted guardian of immediate and fragmented interests, but a responsible partner on all levels, skilled at proposing inspired solutions for the future and getting them accepted".

In recent speeches, Paul Marchelli, the CGC president, has been more blunt and more critical: "We are ossifying the situation. We are fighting for what we have gained and we are incapable of projecting ourselves into the future. We have an obligation to modify our attitudes and behavior. The unions must consider themselves comanagers at the micro- as well as the macro-economic level. The first line of defense of the workers' interests is the defense of the interests of business. This requires going compulsorily in business from a conflictual framework to a consensual framework." Comanagement, partnership; such language is better adapted to managers than laborers and not all unions have arrived at that point. Edmond Maire, who for the CFDT has rather played the role of the prophet of unionism's adaptation, launched the idea of "conflictual cooperation" being gradually substituted in business for the old class struggle. But he was defeated in his confederation.

However, new social relations are going to be woven into business by the technological changes. Unionism will have to take them into account if it is to endure. As explained in very futuristic language by Yves Lasfargues, a former official of the managers of the UCC [Confederal Union of Engineers and Managers]-CFDT, "In the labor civilization, it was necessary first to negotiate wages and incomes. In the near future, it will be necessary to negotiate the division of power on all levels and continuously. There is danger of finding two types of unions in 10 or 20 years: on the one hand, 'autonomous' unions that are very numerous, not confederated, defending in a very corporatist way the immediate and visible interests of very limited groups, and on the other hand nationally confederated unions whose role will be to permit wage-earners to organize collectively."

In a recent article³, Marguerite Bertrand, the general secretary of the CFDT services federation, really raised the problem of limits on future union action: "The social problem for those of us who are organizing the men and women service workers, is to help them obtain sufficient collective guarantees so that their jobs will not be automatically synonymous with precariousness, but also guarantees that will not put a brake on hiring or be in danger of driving all these sectors back into moonlighting with no guarantee of anything." It is in this way, in the CGC and the CFDT, that the idea gets across best that

nionism will have to go ahead and prepare its benefits, even if it means negotiating "substitution benefits" (less in wages, more in powers, for example).

Guarantees That are not to be Abandoned

But it is exactly the potential challenge to a number of social benefits that most holds back the FO and CGT on the way to adaptation. "A union is made to conserve the basics and watch out for the future," the leader of the FO managers, Hubert Bouchet, likes to say, but there are more conservators of the basics than there are those who watch out for the future. "No one has ever said that unionism's methods, that its evaluations or its proposals and means of action were frozen for eternity," Andre Bergeron declared on 5 October. But a few days later he outlined the boundaries of that evolution: "Everything is debatable but there are rules, a minimum of guarantees that we cannot abandon." Is it not true that in certain sectors that have been disrupted by the changes or restructuring, it is not the principle but the concept of that "minimum" that the unions will have to review?

"You might look at such-and-such a benefit, and see how it is going to change, but on the condition that the translation for the workers is marked by a plus sign," Alain Obadia, director of managers of the UGICT-CGT, said recently. An about-face? An impasse? The CGT gets out of it by hammering the idea, which is shared by the other groups and developed in preparing for its 42nd confederal congress, that the wage-earner cannot be addressed simply by a single speech, but the needs of each category must be taken into account, as a guarantee of an expansion of unionization. Making "general claims and individual claims" cohabit in confederations, however, requires that each agree to further decentralize its activities.

"Unions," writes Jean Magniadas, director of the CGT's Confederal Center for Economic and Social Studies, in the conclusion of an interesting study on "The world of labor on the move", "must have the ability to propose changes and objectives in which the different social classes of workers can see each other as responding to their aspirations, to their specific needs, as to their search for opening up as social individuals." Be careful, though, there is no question of using crisis or structural changes in employment to "weaken the social power of the working class and all employees." Should the temptation to withdraw in fine to a defensive attitude prevail over the impulses for change? That is where the danger lies.

"Freedom," Jean Bornard, the president of the CFTC, explains for his part, "certainly does not mean the destruction of social legislation or collective agreements." "One is entitled," he adds, "to ask the unions not to defend immobility, but they must be given the possibility of positive action and real cooperation," for example, conversion of people who have been laid off, or even regional development. To Mr Bornard, "The whole problem for unionism is to make the synthesis between workers' aspirations and a very strict analysis of the realities." Negotiating the putting in place of new technologies will not ensure the unions' future unless they are capable of fitting better into the business, by seeking economic effectiveness as well as social utility, if they fight against any individualization instead of bringing about the emergence of individual aspirations that are born sometimes in protest groups, if they fight

any flexibility, as they recently opposed variable working hours. They will also have to enlarge their palette of "services" to their members, as has been done in Northern Europe, to demonstrate the practical usefulness of unionization. Any defensive withdrawal would be fatal. It is going to be necessary to choose between the ponderousness of the apparatus and the shock of changes--and soon.

FOOTNOTES

1. Special edition of L'EXPANSION, October-November 1985. "Demain la France" [France Tomorrow].
2. Investigation conducted by SOFRES [French Opinion Polling Company] from 15 to 23 March 1985 with 780 youths (students, employed workers and unemployed) and published by SPECIAL-OPTIONS in June 1985.
3. CFDT-AUJOURD'HUI, May-June 1985.

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POLITICAL

GREECE

ACCELERATION OF SIMPLE PROPORTIONAL TENDENCY NOTED

Athens ENA in Greek 24 Oct 85 p 12

/Text/ A. Papandreou and K. Mitsotakis are both facing a common and most serious intra-party problem. This has to do with the demand for the establishment of the simple proportional electoral system that is continuously gaining more and more adherents in both parties, placing into doubt the two-party system that K. Karamanlis wanted to institute or the bipolar system that A. Papandreou had tried to establish.

The leaders of both parties suspect --and rightly so-- that these activities are connected with specific anti-leadership tendencies prevailing in both PASOK and New Democracy. In other words, that the simple proportional system is being construed by its proponents as the catalyst that would bring about a major shift after which our political life would do away with the dominant role played by "charismatic individuals and dictatorial leaders."

Nevertheless, the fact remains that the problem over the establishment of the simple proportional system is growing for both parties in conjunction with the aggravation of problems and with the realization that these problems cannot be confronted and solved by a simple party alone. Moreover, it is also being realized that the continued reinforcement of the leadership role of political leaders (abolition of the preference cross, doing away with the democratic operation of political parties and increase in the prime minister's authorities through the revision of the constitution, etc.) is increasing polarization and is neutralizing every trend in social and political agreement, with the result being that the great problems of the country are perpetuated and aggravated.

With regard to PASOK, the most probable thing is that the establishment of the simple proportional system will lead to an independent political presence of the most leftist group in the party (it was described by the prime minister as being "day-dreaming") that will attempt to seize the ideological-political ground between the KKE (Int.) and PASOK. This is revealed from the fact that all the intra-party pressures, opposition and uprisings with regard to the course of Change are being manifested from the Left. This same realization limits the possibility of another group emerging in the rightist wing of the party and the revival of some noteworthy centrist formation, so long as the founder and present leader of PASOK remains as its head.

The above estimates are considered positive by A. Papandreou's entourage, especially with the prospect that he himself will not claim a third term as prime minister, preferring instead the presidential office. This is so because with the removal of the leftist wing and with PASOK's "moving toward the Center," the tendency to flee to the opposing camp will be limited to the extent possible and the wavering of the electoral forces will also be limited --again to the extent possible -- to the broader "democratic ground."

At the same time, however, A. Papandreou's decisions are influenced by corresponding actions by ND in connection with the establishment of the simple proportional system. In the main government opposition party, the problem is more complex given the fact that it concerns intra-party developments primarily. This estimate is reinforced by the fact that the supporters of the simple proportional system are altogether in the anti-Mitsotakis camp (K. Stefanopoulos, I. Boutos, I. Varvitsiotis and I. Palaiokrasas).

The argument that these party officials publicly proclaim has as its origin the conviction that ND has very little chance of ever returning to power all by itself and that the only way to oust PASOK is to seek broader allies in the Center-Right area. In other words, what is being sought is exactly what is considered as almost precluded in PASOK. In other words, the uncaging of centrist forces from A. Papandreou's party in case the simple proportional system were to be enacted. All the more so since the Right was and is still is "unbrotherly" in our political world.

These negative factors confirm the conclusion that the reimplantation of the demand for the simple proportional system by ND is due more to existing leadership ambitions that are capable of causing a major split, at least as far as party officials and the party apparatus is concerned.

This possibility, nevertheless, constitutes one of the basic motives in A. Papandreou's calculations on behalf of the simple proportional system. Because, even if a major split does not prevail in the Right, the simple proportional system will prolong the political life of Democratic Renovation, encouraging the desertion of other anti-Mitsotakis forces from the party. On the other hand, very few believe that with the present electoral system would the Right show up split in the next election.

5671

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POLITICAL

GREECE

SECRET POLL POINTS TO LOSS OF PASOK POPULARITY

Athens I KATHIMERINI in Greek 3 Dec 85 pp 1, 3

[Text] It is reported that in the first 6 months of the second term of the PASOK government, one-third of the voters who brought it to power in last June's elections are lost to the party. Two pro-government Sunday newspapers reported that the government has already resorted to absolutely confidential public opinion polls following the announcement of the "new policy."

According to the report in the TO VIMA TIS KYRIAKIS newspaper, the PASOK receives the support of 32 percent of the voters, compared to its 46 percent share of the vote in the June elections, obtained through prospects and promises of a different policy.

The same report, signed by TO VIMA TIS KYRIAKIS editor Kharis Bousmbourelis notes that, in contrast with the government's loss of popularity, A. Papandreou's appeal remains unchanged when compared with K. Mitsotakis' popularity.

The second report, published in the KYRIAKATIKI ELEVTHEROTYPIA newspaper and signed by G. Massavetas, makes similar, if not so specific, findings. It should be noted that the newspaper observes, at the bottom of Massavetas' article, that it does not agree with his conclusions. The article notes that the secret poll shows the PASOK as "especially weakened," but does not differentiate between the government's and Papandreou's popularity.

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POLITICAL

GREECE

PASOK SEEN 'ZIGZAGGING' BETWEEN WORDS, DEEDS

Athens KYRIAKATIKI ELEVTHEROTYPIA in Greek 10 Nov 85 p 8

/Commentary by G. Massavetas/

/Text/ One of PASOK's basic problems has been its lack of self-knowledge. The refusal by those leaders directly under A. Papandreou to accept the fact that it is a "two-speed" party. Also, the prime minister's tendency to put off the problem, hoping perhaps to confront itby making use of salami tactics.

But the problem does exist. Regardless of how much the term "one-sided alliances" is used to describe all that is happening to the detriment of PASOK, this same party itself is "one-sided" in its makeup since it always operates as an alliance of social forces and not as a party expressing one class. As a party in which a political --and not ideological-- haven was found by proletarians and petty bourgeois and even by bourgeois who, of course, were not "underprivileged" but who at some point had made a choice "of the train of power."

Thus, an organization arose whose cadre "spinal column" and one element of its grass roots believed in a course that was to lead to socialism. But this spinal column became fleshed with masses of voters who from the outset expected to see simply "better days" and who never did pay attention to internal clashes over "conditions of passage" nor did they fully understand what exactly was meant by those who proclaimed that PASOK did not come to power to get a better handle on the system but to build socialism. Nor were they ever especially concerned over the significance of PASOK's not joining the socialist international.

This difference did not and does not exist only in PASOK's electoral grass roots. It also exists at its summit. It is mainly expressed in a difficult-to-hide "antagonism" within the party central committee and its parliamentary group. The former is manifested through its decisions and primarily through the targets of its criticism --whenever and to what extent it is manifested-- to fight for the course of passage to socialism. The latter anxiously focuses attention to confronting the most immediate demands that would ensure the continuation of power.

If a free and creative dialogue had been developed, positive benefits would have resulted from these real contradictions. If all those who censured and criticized and who thundered in front of their mirror or before their close family and friendly

circle were to express their opinions, sometimes more radical and sometimes more usefully conciliatory, where they should have been expressed. In the central committee, the parliamentary group, the congress.

However, from the moment when both of these bodies became pretty near appointee in nature, with a consolatory superficiality of elections, words ceased being words of candor. And exceptions simply became the rule.

In this way, however, the leadership ceased having the feeling of measure, of the middle road. It is involved in ideological-political "zigzagging" attempting to flatter one side and then another. Sometimes, the spinal column and sometimes the flesh. Thus, its verbalistic proclamations are often in direct conflict with what it is endeavoring to accomplish. And while, for example, it had decided to live with and in the EEC, it continued until just recently its anti-community chorus. And now those who believed them now feel....dizzy, to say the least.

Now, for example, those who for years had learned to hate Iakovos, whom they knew more as Siakovos, are obliged to accept him simply as a fellow-converser of the prime minister.

He is also a national force with which we must work. Of course, because of the fear of the Jacobins no memo on what was said between Andreas and Iakovos will ever be issued. Because how will those people accept an Andreas who recognizes that Iakovos is "from the state of things a communications link between the two governments," i.e. the Greek and American ones, and that "his good services are especially useful for the country and for confronting our major national issues?" Or how will they accept an Iakovos who suggests to the prime minister that he must become more "straight" /word rendered in English/ toward the Americans, "abandoning the tactic of using a refutation that accompanies every agreement between them as a public pronouncement?"

A person must make a choice at some point. Either with Iakovos or with the Jacobins. If, again, he wants to choose the middle road he must abandon the tactic of verbalistically satisfying one or the other publicly in the same manner. Because what has been said either privately or publicly, words are always checked for their equivalence in accomplishments.

5671

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POLITICAL

GREECE

STRUGGLE FOR NEW LEADERSHIP WITHIN ND REPORTED

Athens KYRIAKATIKI ELEVTHEROTYPIA in Greek 10 Nov 85 pp 1, 5

/Article by Panos Loukakos/

/Text/ A new move to overthrow Mr K. Mitsotakis is at present in full swing and it is believed that it will come about at the end of December at the latest. About 10 ND deputies, who have been having continuous contacts with other associates of theirs, are in the forefront of this drive. These deputies emphasize that Mr Mitsotakis must be ousted prior to the party congress in February where he will consolidate his position by changing the way the party leader may be elected or dismissed. He is scheduled to propose that the entire process be carried out in an expanded forum and not in the parliamentary group form.

The present frontal confrontation between A. Papandreou and K. Mitsotakis is not harming PASOK but ND primarily. If the economic crisis should lead to early elections, ND would once again come out the loser with Mitsotakis as leader, as was the case last June.

Under current conditions, ND's parliamentary group cannot agree on the election of a new leader. Thus, the only prospect remains the re-emergence of Mr Giorgos Rallis as party leader by unanimous consent. He is the most easily acceptable by the majority of ND deputies in relation to the youngest, by age, contenders. Deputies who are taking the initiative in this endeavor describe Mr Rallis' return as an "interregnum."

It is characteristic that at this time the move by the 10 ND deputies is finding significant responsiveness among their colleagues. At meetings that have already taken place, most of them agree that Mr Mitsotakis must be ousted prior to the February congress. They, nevertheless, add that the problem now is centered on who will be his successor. Since the candidacy of certain younger individuals is meeting with opposition, the Rallis solution appears at this time the only one that could constitute the mainspring for the overthrow of Mr Mitsotakis.

According to certain information, this solution is already being favored by certain persons who are considered (or who consider themselves) as future contenders for the party leadership, such as G. Varvitsiotis, G. Palaiokrasas, St. Dimas, etc., while Mr M. Evert is maintaining a reserved stance.

Opposition from the other side seems to be expressed by Mr E. Averof, although it is believed that "pressured" properly he might in the long run agree.

Finally, it must be noted that the contacts of the group of deputies that is now undertaking this effort to upset Mr Mitsotakis "are being extended" toward Mr Stefanopoulos and Mr Boutas who would return to ND if its present leader were to withdraw.

Mr Rallis himself, nevertheless, is not at present getting involved in the overall issue but is maintaining a reserved stance. He does not, however, hide his opinion that Mr Mitsotakis must be overthrown, but he consistently denies being in the forefront of the overall matter by projecting himself as a successor. If, however, the majority of deputies were to ask for his return in writing, it is certain that he would accept.

5671

CSO: 3521/45

POLITICAL

GREECE

DETAILED LIST OF PAPANDREOU AIDES, SALARIES

Athens ENA in Greek 24 Oct 85 pp 14-15

/Text/ The prime minister's political office is developing into a small White House. Advisers, aides, men for his personal security, with a budget that started out with 32 million drachmas in 1978 and that will reach 500 million in 1986! The law establishing the political office provided for 65 positions but now the "prime minister's men" now number over 200. Who are they and how much do they make? ENA reveals that now.

The prime minister's political office is turning into a mammoth service. At least "planning-wise" it has become too big for the Maximos Building. Already it has spread out into the Chamber of Deputies building and the Ministry to the Prime Minister and, as things are going, it will also ask for space in other ministries since it has to a certain extent replaced them.

Its grown in its 3 years of existence as a new institution is indeed astonishing. And it has proved right all of those who had compared it to a "small White House." In fact, it does not differ much from the latter both administratively and operationally. Its budtet in 1978 was 32 million drachmas. In 1986, it will reach half a billion drachmas! It has grown at the following surprising rates: 32 million in 1978, 49 million in 1979, 49 million in 1980, 65 million in 1981, 79 million in 1982, 202 million in 1983, 243 million in 1984, 250 million in 1985 and in 1986, a "year of super-frugality," it will reach 500 million!

The largest part of the budget appropriation is for personnel salaries given the fact that the growth of the service is primarily numerical. Specifically, while the number of positions was originally set at 65 by the law establishing the prime minister's political office, the actual number of persons who are assigned to the prime minister as special experts and aides, administrative employees, police and associates surpass 200.

The prime minister's political office was established through Law 1299/82 for the purpose of directly assisting and servince the prime minister in the exercise of his functions.

Soon, however, it developed into a staff service that coordinates the government's task, proposing laws and implementing the prime minister's thoughts on important issues of government policy. This is achieved with the help of advisers and special associates of the prime minister but also of a host of other lower-level employees who make up the special, legal, diplomatic, economic and military offices, as well as the security office of the prime minister.

Head of the political office is its general director, the well-known publisher Andonis Livanis. His salary amounts to 100 percent of pay scale I of special positions and comes to 126,440 drachmas, except for overtime.

Angeliki Kokkola, the director of the prime minister's special office, also gets pay scale I, special positions, with a salary of 126,400 drachmas. She is assisted by Mikhalis Ziangas, the prime minister's special secretary, who gets 120,118 drachmas; Kyveli Zografidou (107,474 drachmas) and Maria Karageorgou (107,474 drachmas), the latter two getting 95 percent and 85 percent of pay scale I, special positions, respectively. Overtime for "the prime minister's men" comes to 90 hours a month.

In the beginning of 1985, the prime minister's staff came to 18, besides the five mentioned above. Following the elections, a few changes were made, as, for example, the removal of K. Bantouvas who became a deputy and of G. Trepeklis who became secretary general of the EOT [Greek Tourist Organization]. Another change was seen in Giannis Mandzouranis, former secretary general of the Ministry to the Prime Minister, joining the prime minister's adviser "team."

So, in January 1985, the picture of the prime minister's immediate personnel entourage was as follows:

- Georgios Kasimatis, chief of the prime minister's legal office. Salary: 99,560 drachmas.
- Sotirios Lytras, special associate. Salary: 75,824 drachmas.
- Nikolaos Garganas. Salary: 53,737 drachmas.
- Nikolaos Mikhalakis, special associate. Salary: 65,939 drachmas.

The "decreased" salaries are due to the fact that the above-mentioned individuals also hold other positions.

- Kharalambos Stamatopoulos, special associate. Salary: 123,705 drachmas. He is an employee of the Bank of Greece and he chose the salary of special associate on the basis of Law 1320/83.
- Periklis Nearkhos, special adviser.
- Khrysanthi Andoniou-Laiou, special associate. Salary: 120,118 drachmas. (She became secretary general of the Equality of the Sexes Council).
- Georgios Terpeklis, special adviser. Salary: 120,118 drachmas. (He became secretary general of the EOT).
- Kharalambos Nikolaou, special (technical) adviser. Salary: 120,480 drachmas.
- Maria Dotsika-Papavasileiou, special associate. Salary: 107,474 drachmas. (85 percent).
- Panagiotis Petroulas. Salary: 94,830 drachmas. (75 percent). (He became secretary general of the Ministry of Social Insurance.

- Andonis Stratis. Salary: 120,118 drachmas. (95 percent).
- G. Dimitrakopoulos, special associate. Salary: 107,474 drachmas. (85 percent).
- I. Papandoniou, special adviser. Salary: 120,118 drachmas. (He has been assigned as deputy minister of national economy).
- K. Bandouras, special adviser. Salary: 120,118 drachmas. (95 percent). (He has become a deputy).
- I. Papanikolaou, special adviser. Chief of the prime minister's economic office. Salary: 126,440 drachmas.
- Khristos Makhairitsas, special adviser. Chief of the prime minister's diplomatic office. Salary: 126,000 drachmas.

After the elections, the following were hired:

- Sotiris Kostopoulos, special adviser on issues dealing with communication with citizens.
- G. Lambropoulos, obstetrician, special adviser on health issues.
- G. Mandzouranis, attorney, special adviser on public administration issues.

Their salaries amount to 138,060 drachmas, an amount to which salaries of special advisers was readjusted last month.

The prime minister's advisers and special associates can also hold a second position (under certain conditions, of course) but cannot engage in liberal professions.

The political office's administrative employees cannot, by law, surpass 40. The filling of these positions is accomplished by bypassing all regulations and without competitive tests, namely by appointment or by detachment from a position in the civil service. Their separation cannot be subject to a claim for compensation. The detached employees who serve in the political office and their salaries (prior to the enactment of the single pay scale) are as follows:

Theof. Papasarandis (86,937 drachmas), Kon. Nikolopoulos (86,937), Afrod. Lytra-Batsou (75,187), I. Kyriakakis (75,187), Georgios Malliotakis (72,955), Vas. Nikolopoulos (68,191), Athina Xenaki (61,576), Kanella Khrysikopoulou-Nikolaou (60,783), Argyro Alevizopoulou (66,136) and Stav. Flessa-Danou (75,788).

The special employees of the political office are the following:

G. Kissonas (79,692 drachmas), Panag. Pandazi-Kafiri (75,390), Theod. Vais (66,983), G. Spanos (59,551), Adam. Lazari (64,267), Vas. Mitropoulos (59,551), Kyratso Kalogeraki (60,009), Elis. Nikolaidou (53,405), Evang. Gakopoulou (53,405), Mar. Savva (51,472), Eleni Bantra (52,738), Khrys. Karagiannidou (51,472), Elev. Kavvadia (51,472), Mar. Marketou (41,472), Anna Plessa (51,472), Stav. Kourakou (51,472) and Andonia Trandalidou (46,548).

The above personnel receive 90 hours overtime, i.e. 12,000-20,000 drachmas more. It seems that among the highest paid is Dim. Roris, detached from the OLP /Piraeus Port Authority/, who gets 120,000 drachmas plus 50,000 drachmas for overtime! He accompanies A. Papandreou on all of his trips.

The political office unit that has the greatest number of personnel is the prime minister's security unit that has about 86 persons. Of these, 15 are men of the MEA /National Defense Units/ who have been assigned to the Nea Erythraia police unit from where they are paid. The other 71 are paid from the political office's budget.

Chief of the unit is police officer Vas. Keramas who gets a base pay of 27,200 drachmas (i.e. about 75,000 with longevity allowance and other increases) and 19,000 drachmas overtime.

He is assisted by police officers Panag. Papalexandrakos, N. Tsoukalis, Vas. Galogiannis, Khr. Kioulos, K. Kondodimos and Lambros Oikonomou all of whose salaries range around 22,000 drachmas; by sergeant majors Giannis Leventis, G. Doudoumis, Myr. Dalakas, G. Sotiropoulos and Andr. Taktikos; and by police sergeants N. Goumenakis, Mikh. Thomadakis, Dim. Katsos, G. Klados, Dion. Marinis, Andr. Alexopoulos, Vas. Marangos, Sterg. Xenos, K. Samaras, An. Tzoumakis, Andr. Trapalis, K. Adamopoulos, G. Dramitinos, Pan. Thanasoulis, Pan. Karatsis, G. Larentzakis, Khr. Loukakis, Dim. Papoulis, Alex. Troulinos, K. Frangoulis, K. Anomeritakis, Stef. Voundourakis and Anarg. Kokkolakis.

The policemen who serve in the prime minister's guard are the following: K. Arambatzis, Il. Dalavouras, G. Theodoropoulos, Vang. Karapiperis, Vas. Karnatopoulos, K. Koumoulidis, Mikh. Beladakis, Milt. Myzithras, Dim. Nikolakis, Dim. Papakhristou, Man. Perdirakis, G. Sindoris, Stathis Tsiflidis, St. Diamandis, Alex. Andiokhos, Andr. Apostolopoulos, N. Vathrakokoilis, Dim. Goulas, G. Dimas, G. Theodorakopoulos, Khr. Katsarakis, N. Katsoulas, K. Kondis, Dim. Loizos, P. Loukatos, Theod. Louridas, Dim. Markouizos, G. Mikhalopoulos, Dim. Batzianas, St. Pepper, G. Spiliopoulos, G. Spyridakis, Lev. Khatziathanasiadis, Stathis Khrysoulis and Panag. Stathopoulos.

The personnel of the prime minister's personal security are paid from the political office's budget. The budget also covers their expenses when they operate outside of their main headquarters, expenses that are not small indeed.

The personal guard of the country's prime minister has always numbered many men but never 86. Under Prime Minister Karamanlis the number of security personnel was 50 and 40 under G. Rallis.

According to reliable information, another 12 advisers and 12 special employees are scheduled to be hired and assigned to the ESOP /National Economic Policy Council/ and KYSYM /Government Council/. There will also be some hiring for the staffing of the newly-formed National Security Council.

Also capable of being included in the political office personnel are the 20 chauffeurs who drive the 10 vehicles belonging to the prime minister and that are often used by his advisers, special associates, who, without having been assigned as such to the political office, nevertheless offer services to the prime minister (OTE

/Greek Telecommunications Organization/ technicians, etc.) and any who assume special duties in accordance with Article 6 of Law 1299. There are the "law officials and those serving in the armed forces and security corps" who, together with their normal primary duties, assume responsibility for various matters in instructions from the prime minister and for whom extra pay is arranged that cannot go above 30 percent of their salary.

In this category are the following members of the KENE /Central Law Preparation Committee/ who receive a salary of about 40,000 drachmas a month:

Vas. Rotis, KENE chairman and vice president of the Council of State; Sam. Samouil, supreme court justice; G. Koumandos, university professor; Al. Karakatsanis, university professor; Mikh. Stathopoulos, university professor; Il. Kamtsios, retiree, vice president of the ES /Emergency Council/; I. Liotis, president of the administrative court of appeals; K. Terzogiannopoulos, administrative committee chairman; Nik. Spaliaras, administrative committee chairman; St. Matthias, G. Vellis, Pan. Kostakos and Emm. Voiklis, court of appeals judges; F. Stergiopoulos, Council of State observer; K. Menoudakos, G. Anemogiannis, Khar. Psarris and P. Dimitrakopoulos, judges; Ath. Papakhristou, K. Giannopoulos, lawyers; Dim. Tombaidis, KENE adviser; Ait. Singout, Council of State observer; Spyr. Papas, Council of State observer; Khr. Vasilakis, Dim. Kanellopoulos, court of first instance judges; K. Sideris, court of first instance judge; G. Kourtis, court of first instance judge; and Dim. Platanitis, KEME adviser.

In the same category are the contracts with the political office of the following judges: G. Sklias, Council of State adviser; Kotsikis, Council of State adviser; and Pappas, Council of State president and chairman of the Public Administration Center administrative committee.

Also coming under the political office is the Ministerial Council secretariat, headed by its secretary general G. Zoras, whose position has been made into a position of Category I of special positions. He receives a salary of 130,060 drachmas. Serving on the Ministerial Council secretariat are eight special employees.

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POLITICAL

GREECE

ECONOMIC, POLITICAL DEVELOPMENTS MAY PORTEND DANGER AHEAD

Athens I KATHIMERINI in Greek 3-4 Nov 85 pp 1,3

[Excerpts from an article by Nikos Nikolaou: "Need For Political Realism"]

[Text] The latest critical developments in the economy, which have already begun to poison the political climate, are being commented on in national economic circles with feelings of deep concern. Those circles blame the government, because with its authoritarian behavior and scorn for the democratic process of an open, self-critical and sincere dialogue with the parties and classes it dangerously heightens political and social tensions and also is the one to undermine the stabilization of the economy.

Anomalous Solutions

Economic circles, in commenting on all that was said in the Council of Ministers on Friday about anomalous solutions, emphasized that independently of whether danger signals are magnified by the premier's panic in the face of the difficulties he encounters within his party, it would be a grave and unforgivable error to ignore the fact that tensions in the trade union sector and the strikes it calls, which are also supported and instigated by some truly "obscure and incorrigible" political forces, are developments which in the long term but also in the middle term, if they remain uncontrolled, can in combination with other events prove to be explosive for our democratic regime.

Besides, let us not forget that a few days ago Mr. Mitsotakis also expressed fears about anomalous solutions. Was he too exaggerating the danger? Clearly, something is going on, even if it is a remote threat!

As economic circles emphasize, a deviation from normal political life is not a development determined by existent or nonexistent "droplets." Such as these will always exist or, if they don't, they can be easily contrived any time in view of the high level of technology in the armed forces and of the dependence of military technology on control centers outside the nation. Consequently, instead of the police looking for those "droplets," it would be the salvation of the country if the government took care to eliminate from political life tensions, polarizations and rifts, and went back to the political climate of normalcy and social order restored to the nation after 1974 by Mr. K. Karamanlis.

Sensitivity of The Left

According to information obtained by the same economic circles, the incipient side-effects and dangers of tensions in the trade union sector (for which, it is reiterated, Kastro is chiefly responsible with its authoritarianism which has heightened them) have begun to worry numerous officials of the traditional Left, whose sensitivity to any possibility of anti-democratic deviation is justifiably increased.

Those officials feel that the Left was lured farther than it should have been into alliances and actions which lead nowhere, by extremist members of the PASOK. The split in the GSEE [Greek General Confederation of Labor] is viewed now as an undesirable development, and it is believed that opposition to the measures might have been expressed more efficiently within the GSEE by a vote of censure against Mr. Raftopoulos.

The same economic circles believe that amidst the difficult conditions which the nation is currently undergoing the main opposition must elaborate flexible tactics to face the immediate and urgent problems of today, by maintaining at the very least the strategic aims which Mr. Mitsotakis also outlined in his interview of the day before yesterday, that is, resorting to elections after a year so that the New Democracy can emerge as an autonomous government.

Economic circles claim that such tactics should not fail to take into account certain new factors that are now shaping the political scene decisively, such as:

1. The package of measures announced on 11 October, independently of the authoritarian way in which the government attempts to pass it, is still basically correct, necessary and the only one suitable to ward off the nation's bankruptcy. The positive attitude adopted by the whole of democratic Europe is not coincidental.

Therefore, instead of wasting shots against the measures, it would be more to the point if the government were pressured to complement them with growth measures and, primarily, to include them in another, more realistic economic policy. It is also useful to appreciate that the measures, despite their insufficiencies, constitute on the whole a policy which is different from the one the PASOK has pursued these past four years. The model of a redistribution of the revenue tends, even if tentatively, to be replaced by the model of generating revenue.

2. If there is a political force and a political leader that today can make the people accept these harsh measures it is only the PASOK and Mr. A. Papandreou. Let us not delude ourselves. No one else can accomplish this. Therefore the change slogan or even an expansion of the government is untimely.

3. Today the chief opposition in the nation's political life is not that between the PASOK and the ND. This gets magnified thanks to the war of words

which Mr. Laliotis keeps up, with considerable conceit but also considerable self-deception. The fundamental opposition triggering developments today is Mr. A. Papandreou's clash with the nucleus of PASOK leaders and its own hard-core leftist elements.

The Mobilization of The KKE

Is it possible then, even indirectly, to offer any form of support to members of the PASOK who attempt to rouse the people with the utopian but dangerous slogan "Let capital, domestic and foreign, pay for the crisis"?

At this point it should be noted that we are not in a position to know what the pressures of popular reaction would be if the KKE did not politicize the undubitable popular displeasure.

It is characteristic that it was basically the workers in public enterprises and organizations and the workers of enterprises in difficulty (as also, of course, the lower middle classes which were encouraged by the ND) who took part in the panathenian strike of 21 October, that is, sectors which are controlled decisively as regards the fate of workers by the party-oriented trade union establishment. In the country of private industry not even 10% [of the workers] went on strike!

Economic circles believe that promoting this basic opposition could lead to the PASOK's "social democratization." Does the ND view such a development as undesirable?

4. The readjustments in our foreign policy are the last and certainly most significant new factor triggering developments. The leader of the ND himself admitted that the government is genuinely trying to improve Greek-American relations, while the connection between the EEC loan and the success of the program for the stabilization of the economy should also prove to be very significant.

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POLITICAL

GREECE

BRIEFS

ISSUANCE OF NEW IDENTITY CARDS--Many things will change with the issuance of new police identity cards that begins as of 1 July 1986. First of all, the use of fingerprints is being done away with because it was felt that their use "is disrespectful of the personality of the individual." However, this is not the only thing to be abolished. It was decided that also to be done away with will be data on the individual's occupation, his height, color of the eyes and shape of the face. The same bill provides for the issuance of a second identity card. This will be issued to children at birth and will be valid until their 12th birthday. In this way, an innovation is being established: parents must declare the first name of their child on the day of its birth and must not wait until its christening. One benefit we will have with these new identity cards is the automatic doing away with any certificates confirming data mentioned in these cards. The benefit, however, is purely and simply "anti-bureaucratic." Those who use identity cards for doing business will have to pay the equivalent in stamps that they would have paid if they were to obtain similar certificates. In other words, service is one thing and loss of income another. /Text/ /Athens TA NEA in Greek 12 Nov 85 p 5/ 5671

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POLITICAL

ITALY

PCI'S CHIAROMONTE VIEWS TIES WITH PSI

PM191527 Milan L'UNITA in Italian 3 Nov 85 p 5

/PCI Secretariat Member Gerardo Chiaromonte article: "Comrade Socialists, Do You Not Think the Time Has Come To Start Considering the Future?"

/Text/ It seems to me important to return to a discussion of PCI-PSI relations, following the dramatic events which led to a government crisis and following its messy conclusion. Not only, however, for the immediate purposes of the PCI's action in parliament and throughout the country with respect to the dis-interred five-party coalition headed by Craxi but also in relation to the debate that has been conducted in this paper and that has touched on general and long-term issues regarding political relations within the Left.

I would like to start by making a preliminary observation. In my opinion, what has happened in recent weeks shows how, in the specifics of political life, sudden and unexpected factors--including very significant ones--can occur and suddenly alter the stakes, change apparently consolidated ideas, and create new and unforeseen openings to the development of a unitary initiative of the Left and other democratic forces. This has always been so, but this fact is all the more true now, in a domestic and international situation in which there are such strong and widespread elements of tension and of threats of war, of unresolved political contradictions, and of sharp conflicts on all levels (and first and foremost on the economic and social levels). The conclusion that I draw from this observation is that it is not enough to outline, or to attempt to outline, possible scenarios for a unitary initiative on the Left that take account of the present facts of the situation unless one is also able to take prompt account of new elements that may suddenly occur in specific political events without having to worry about discussing political assessments and forecasts that have, after all, long been the subject of discussion.

Having said that, I believe it is necessary to answer the criticisms that may be made (and which have already been forthcoming from various sides) of the stance we adopted toward /Prime Minister/ Craxi's and /Foreign Minister/ Andreotti's action during the various stages of the "Achille Lauro" affair. There were even those, such as /LA REPUBBLICA editor/ Eugenio Scalfari, who basically accused us of gullability and reminded us that the problems of unemployment, economic development, and financial reform are further from being resolved than ever. Of course these criticisms--starting with that of an

excessive credulity on our part toward Craxi and the consistency of his stances--could become even more forceful following the conclusion of the government crisis.

I believe that the PCI has no reason to regret the stances it adopted at that time. There are two reasons for this: First, because we did not adopt those stances for any ulterior motive (to take the opportunity for an anti-American campaign or to manipulate the contradictions within the majority or even to try to improve our relations with the Socialists and with Craxi). We considered, and still consider, it our duty to maintain a stance in defense of Italy's autonomy and national independence, our country's right and duty to pursue its own policy of peace in the Mediterranean and the Middle East, and a particular approach (one of equal status with all our partners) to our membership of the Atlantic alliance and NATO. The second reason is that the events of those days cannot be cancelled out even by the conclusion of the government crisis and are, I believe, bound to exert a lasting influence on Italian politics (with repercussions in Europe too).

Those events made dramatically evident to the public the serious dangers facing our country's security and its national independence and dignity. And they also demonstrated--with the force of actual fact--how Italy is able to resist absurd and arrogant presumptions on the part of a very major power and to defend its own rights. Craxi's 17 October address to the lower house certainly contributed to this mass elucidation to some extent. And this cannot be erased from the deep awareness of millions and millions of people by the nonmention of the events at Sigonella in the document approved by the secretaries of the parts of the so-called majority.

But that is not all. During those days there emerged a significant unity between the PCI and PSI on these major issues of Italy's security, autonomy, and independence and on how our country must and can approach its alliances. The importance of this factor must not be--and in fact it has not been--underestimated by anyone. It transcends transitory political events and provides a context which can and must be worked on, because the issues on which a convergent stance was achieved at that time between the PCI and the PSI constitute an essential part of a blueprint for the democratic alternative. The enduring value and significance of this fact has been fully realized by all the conservative and rightwing forces and by the DC leadership group, and indeed everything has been done to prevent this essential point of convergence on the Left from becoming consolidated either in the parliamentary or in the political context. Of course I am not unaware that on this point too the conclusion of the crisis shows Craxi and the PSI backtracking and giving way, and I am also well aware that on other important points of foreign policy there are now substantial differences between us and the Socialists. Nevertheless it seems to me that during those dramatic weeks an important point was established for the purposes of a joint foreign policy of the Italian Left and also an understanding of the scale--in what is incorrectly and simplistically called "the U.S. empire" as well as within the United States itself--of the contradictions on which pressure can be brought to bear in order to develop the struggle for peace and disarmament.

Not Lapsing Into a Static Outlook

There is another point that I would like to highlight. As is known, when the crisis arose we put forward the proposal of a "program government." And this proposal (unlike others of our proposals in the past) was not regarded by the Socialists as aimed against them. This is partly because of the convergences that had occurred in the previous days, but in my opinion the explanation goes rather deeper than this.

I cannot escape the impression that the Socialist leadership group itself--as well as the very many Socialists throughout the country--began to wonder about the future, about what will happen after the five-party alliance, and that they are beginning to realize that the only way out of a rationale of blackmail and concessions is to look at programs, at the decisions to be made, independently of preconceptions about alignments. Could even this claim on my part be regarded as evidence of excessive confidence and irresponsible optimism about the present specific chances in the Italian political situation? Perhaps, but I do not believe so. Nor must there be any division between optimists and pessimists within the context of the Left or even within the PCI. Of course we must look at the facts objectively and we must deliberate calmly on them and avoid oversimplifying matters. But whoever wants to work to surmount the present lamentable state of PSI-PCI relations must make every effort to set his sights on the positive potentials (however weak and contradictory, they do exist) and not lapse into a static outlook on the present situation. On several occasions recently we have conducted an analysis of the changes that have occurred in recent years in the PSI's policy line and even in its social composition and its cultural orientations. It seems to me, however, that Gaetano Arfe and others are right to warn us against absolute and unqualified assessments: One is thus closer to reality (as is shown also by the latest events) but one is also readier to seize every opportunity for an initiative aimed at surmounting a situation that is already dangerous for Italian democracy (but which could become increasingly so). PCI-PSI relations are not a matter which should concern those two parties alone. Conflict on the Left and the dangers of its exacerbation are serious issues for several general and overall reasons but also for the actual democratic functioning of our institutions, as the past 2½ years have shown.

Of course the "program government" came to nothing. The old government was disinterred. The Italian and international public were roundly duped. The resulting blow to Italy's international prestige and to the credibility of its democratic institutions is a heavy one. The Craxi Government now seems like an ailing, much weakened, temporary government, and the conflicts within the coalition seem more strident than ever. Even the prime minister's prestige seems to have been scaled down, despite the undoubted public success of his action during the "Achille Lauro" affair. The PSI's role has emerged severely weakened.

Can all this fail to have repercussions? I believe not. In fact I believe that new opportunities can emerge for developing an initiative to change the course of relations on the Left. Only on three conditions, however.

The first is that this initiative must not stray from the solid and specific sphere of programs, of things to be done, of the problems to be resolved for the country and for Italian workers and citizens. First and foremost, and again, on international issues--on those which have emerged in recent weeks and on others facing us and the entire world. But also on economic and social matters (starting with the finance bill now before parliament which must be radically altered) and on institutional reform.

The second concerns the continuation and extension of the dialogue and debate between us and the Socialists. The debate conducted in L'UNITA has provided a wealth of ideas and centered mainly, I believe, on the need to seek a convergence and understanding on how to approach the difficult and unprecedented problems now facing the whole European Left. I believe it would be very useful to have a serious discussion in Italy on the political and cultural experiences of the leftwing forces of other European countries, starting with France. Within this context it seems essential to me to tackle the issue of what kind of assessment the PCI and PSI should form of the experience of the past 2 years. We are trying to do this and we will do it at our congress; nor can we be accused of a lack of self-criticism. The PSI must do the same, and that means its leadership group as well. What kind of assessment can be made of the years of the Craxi premiership as regards the country, the Left, and also the PSI's "reformism"? Where are the reformist actions, or even attempts? And what happened to the political plan (to which so much was sacrificed) for an electoral breakthrough both on the Right and on the Left? In fact after a certain stage everything was sacrificed to gaining and retaining the Socialist premiership. The local government affair was the most serious instance of concessions to the DC. But account must also be taken of the concessions on economic and social policy to the pressures of the conservative and DC forces clearly demonstrated not only in the finance bill but also in the rapid backtracking from stances which Craxi himself had adopted in the July stocktaking and in the document for the solution of the government crisis. In other words, I consider essential a reappraisal of a stance which even now appears to be widespread within the PSI and which is to some extent represented even by comrades such as Giorgio Ruffolo, concerning the supposed prime importance of the position gained at the Chigi Palace (and this, irrespective of the political advantages and the advantages in terms of image which that role can yield).

So I come to the third issue, which is that of the government. I have already said that this government is now, following the crisis, clearly a temporary government. This was what the DC wanted. It must be said that we will work both in parliament and throughout the country to ensure that its lifespan is as short as possible, partly because of our negative, though not preconceived, verdict on this government's activity as a whole. But I would also like to ask: Is it in the PSI's interests that its lifespan be determined by De Mita and the DC? In my view, it is in the PSI's interests to think specifically right away about what comes next and to do so in the only possible responsible way--by making choices on programs and actual facts, not by backtracking on stances adopted or proposals suggested; by combating rightwing and conservative stances out in the open and without submitting to blackmail. I am not talking about forming abstract ideas about other government solutions but about facing a real dialogue on the Left to prepare among other things for political solutions, which are difficult to predict purely in theory, to break away from the constraints of the five-party alliance.

I hope it will not seem inappropriate for me to discuss these matters in the L'UNITA debate on relations on the Left that has already broached so many political, cultural, ideological, and general issues. But the future of left-wing unity is dependent on the present. It is necessary to act now to reverse a dangerous trend. I believe that the events of recent weeks can create new scope for the development of a unitary initiative.

/12228

CSO: 3528/19

POLITICAL

NORWAY

ELECTION SPECIALIST VIEWS TREND TOWARD TWO-PARTY SYSTEM

Oslo AFTENPOSTEN in Norwegian 2 Nov 85 p 3

[Commentary by Helge Seip: "No Party Ever With Voter Majority"]

[Text] It is interesting to see how a few tenths of a percent in support for the parties which support the two governing alternatives--such as occurred during the parliamentary election--this time has caused an acceleration in the debate concerning new, more equitable election arrangements. The fact is that out of the last six parliamentary elections, there was only one--the election in 1981--which has resulted in a parliamentary majority which corresponded with the voter majority. The parties which have postponed seeking reforms ought remember this. However, now even Tor Halvorsen of LO [Norwegian Federation of Trade Unions] --who is regarded as representing significant groups within the Labor Party--has thrown his support to an election system with balancing mandates and limiting barriers. Thereby, possibilities arise which may have great significance for the future political trends in Norway and for the formation of governments as well as for developments in future party patterns.

Another conclusion which could be drawn from Tor Halvorsen's acknowledgment is that he--and perhaps LO--now has buried the thought of the Labor Party standing alone as a realistic majority alternative, such as was the case during the period 1945-61. As is known, the Labor Party did not have a voter majority during this period, but with the election arrangement of "governing bonuses," Gerhardsen had a parliamentary majority anyway.

Many are otherwise awaiting an acknowledgment from leading LO groups--something which hardly can be too far off in the future--about whether the organization will hold its own in the battle over new trade groups. This involves the issue of the strong organizational connection between LO and the Labor Party. One cannot expect to get YS [expansion unknown] and AF [expansion unknown] and the various organizations from the oil production industry to join a system which continues to maintain collective party membership in parts of LO. And thus, the last national convention in Laererlaget also was an important object lesson.

Large Municipalities

The geographic division of voters in today's Norway also says a lot--viewed relative to geography and trades. If the Labor Party--standing alone--is to be able to return as a significant governing alternative, it must find a better fit in the larger municipalities and growing population groups. The election results from municipalities of over 50,000 population say much. Among other things, they reveal that the Conservatives are in first place in five out of the seven largest Norwegian municipalities, with nearly 50,000 more voters in these cities than the Labor Party. It is further characteristic that the Christian Democratic Party--notwithstanding its losses this fall, is the largest center party overall in the seven cities--notwithstanding that the Liberals win by 3 to 2 (contrasted with the Christian Democrats) in holding municipal power and despite a voter loss for Prestergard--as a result of the Liberals having taken a skid in Baerum as well. If the election results in the larger municipalities were worrisome for the Labor Party, they were even more so for the four center parties.

1	2	3	4	5
Stemmetall 1985	Hoyre	Arbeider- partiet	Mellom- partiene	Derav Kr.F.
Oslo	131 265	103 811	25 753	12 354
Bergen	48 604	44 292	19 261	11 100
Trondheim	27 720	35 142	9 612	4 122
Stavanger	20 528	19 893	10 225	5 323
Bærum	32 642	10 610	5 355	1 737
Kristiansand	13 394	11 775	9 703	6 210
Drammen	13 560	14 500	2 672	1 613
Sum kommuner				
6 over 50 000 innbyggere	287 713	210 113	82 581	42 159

Key:

1. 1985 Vote Total
2. Conservative Party
3. Labor Party
4. Center Parties
5. Christian Democratic Party
(included in figures for "center parties")
6. Total for municipalities with population over 50,000

Two Party System?

The issue has been raised many times, but it was the parliamentary elections in 1981 and 1985 which provide a basis for asserting for the first time that our two largest parties /jointly/ have acquired a larger voter share than in the previous 50 years. This can be illustrated graphically as follows:

Voter Percentages for Labor + Conservatives During 1936-1985

1936	65.1%	1965	64.3%
1945	58.0%		
(Norwegian Communist Party over 11%)			
1949	63.9%	1969	66.1%
1953	65.4%	1973	52.7%
1957	67.3%	1977	67.1%
1961	66.6%	1981	68.9%
		1985	71.2%

In reality, there are few countries where political stability has been as great as in Norway. Therefore, there is talk of relatively deep-seated changes when the center parties--which together had retained nearly 30 percent of the voter total throughout 40 years (1933-73)--have declined to about 18 percent during the course of three elections. This is evidence of something of a political watershed, also when the socialistic parties--after seven elections with unbroken voter majorities (1945-1969)--have, since 1973, had around 47 percent, with a drop down to 43 percent in 1981.

A two-bloc system has been in existence in Norway more strongly than in any other Nordic country for as long as we have had political parties. No government has been formed over the chasm between the socialistic and non-socialistic parties except during war and crisis situations with ordinary coalition governments. But essentially and in many factual connections, Norway has had a Conservative Party--until the last two or three elections--which has been larger than any party within the group of center parties, but at the same time smaller than the group jointly, as well as a social democratic Labor Party with smaller groups on its left to the socialistic side.

It is also characteristic for Norwegian voter reactions during the 64 years we have had representative elections to Parliament that no single party standing alone ever has had a voter majority. The Labor Party's 48.3 percent in 1957 was the closest. In 1930, no party had as much as one-third of the votes, notwithstanding that Labor and the Conservatives together had 61.4 percent.

The last three elections have led to the tendency toward one larger party on the conservative side--the Conservative Party--while at the same time it seemed that the socialistic parties, which had lost the majority among the voters in 1973, were having difficulties regaining them. This gives an impression of how far the trend has gone toward two large parties on a national basis where overall, 19 districts have either the Labor Party or the Conservatives as the largest party. In 18 of the 19, the other of these two parties is the next largest party. Only in Johan J. Jakobsen's Nord Trondelag is the Center Party ahead of the Conservatives, resulting in the large governing coalition partner being in third place.

Growth Areas Decisive

In the current discussion, much is focused on the special party configuration in Parliament right now, as well as on Carl I. Hagen and his followers. On the little longer term, the challenge for all parties and groups will be to be able to gain a foothold and to advance in the populous areas and in the districts which are growing. From /this/ perspective, neither the Labor Party's voter advance in the last parliamentary election nor the two center parties' strengthened parliamentary representation with the help of lists and list groupings is impressive. Many also will reflect a bit over whether the Labor Party--as the mouthpiece for the outer fringe and the established power structure (LO)--will advance with sufficient dynamism to become a leader. There always is a danger in becoming too concentrated on the current apportionment policies and too little on keeping an eye on the future. The decline in Norway's portion of gross national product being used for research during the years before and just after 1980 says something about priorities which is not convincing.

A new election arrangement with a more equitable composition of Parliament according to voter figures on a national basis would make the results even more dependent upon developments in the populous municipalities. The current Labor Party is feeling this. The center parties also must confront this fact; then they will have a political platform which can carry greater weight in the future. Those who best meet the new economic challenges and the new cultural patterns which are a part of a media society's more stringent and probing standards will have the key to the building of a government and parliamentary influence.

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POLITICAL

NORWAY

STUDY FINDS CONSERVATIVE, LABOR VOTERS MOST STABLE

Oslo AFTENPOSTEN in Norwegian 24 Oct 85 p 3

[Article: "Most Voter Stability for Conservatives, Labor"]

[Text] Stability in this year's parliamentary election was approximately as high as in the 1981 election. About 70 percent of the voters from 1981 had not changed their position--they voted for the same party, or remained home, for both elections--according to current results from a survey undertaken by the Institute for Social Research and the Central Statistics Bureau.

The greatest stability was among voters of the Labor and Conservative parties --over 80 percent of their 1981 voters stuck with them this year. The Christian Democratic Party and the Center Party retained about 70 percent of their voters, while only 50 percent of those who voted for the Liberals and the Socialistic Left Party in 1981 did the same now, advises NTB [Norwegian Telegraph Bureau].

Desertions From Liberal Party

Both the Liberals and the Socialist Left Party lost relatively many voters to the Labor Party. The Christian Democratic Party, the Center Party and the Progress Party have lost particularly to the Conservatives, but the Center Party also has gained approximately an equal number who voted for the Conservatives last time.

The Labor Party has the greatest support among voters /over/ age 40--among whom the party received over 40 percent of the votes cast. The Conservatives, in contrast, have an overweight among the age groups /under/ 40, with between 32 and 35 percent in these particular age groups.

The Progress Party has a relatively high percentage of younger voters--about one out of three is under age 25.

Over Age 60: Christian Democratic Party

In contrast, among those who voted for the Christian Democratic Party, there is a significant overweight of the elderly, particularly women. According to the survey, nearly 40 percent of the Christian Democratic Party's voters are over age 60.

Voter participation, as previously, was under the national average in the age groups under age 30.

The survey is based upon information from about 1,700 people, chosen at random. The information on party transfers is based upon information from nearly 700 people who were interviewed both in 1981 and 1985.

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POLITICAL

NORWAY

LABOR PARTY POSTS SLIGHT GAIN IN LATEST POLL

Oslo AFTENPOSTEN in Norwegian 2 Nov 85 p 3

[Article: "Stabile--With Labor Party at Higher Level"]

[Text] Stability among voters--with the Labor Party at a level of about 40 percent. The political barometer from Gallup/NOI [Norwegian Opinion Institute] for October confirmed this trend which has been recorded in all of the political opinion polls since the election.

The Labor Party now has stabilized at 41-42 percent--2 to 3 percent over what the party had all the way through the concluding phase of the election campaign. The Labor Party won voters--and obviously has won further support since election day on 9 September.

But the governing parties also show impressive stability. The Conservative Party--which won 30.4 percent in the election--has 29.8 percent in October (the survey was conducted for AFTENPOSTEN during the period 10-25 October). The Christian Democratic Party has registered a slight decline following the election which has taken it from 8.3 percent on election day to 7.4 percent according to the September barometer and 7.6 percent now. The Center Party is holding its position: 6.6 percent on election day, 6.2 percent in September and 6.8 percent in October.

Similarly, the Progress Party has remained stable during the recent months' developments: only 4.1 percent voter support in October--or a little bit above the election results.

The two socialistic parties in Parliament now have voter support of 47.7 percent, the three governing parties 44.2 percent and the latter, together with the Progress Party, 48.3 percent.

	1	Stor- tings- valget 1981	1981 Nov.	Des.	1985 Jan.	Feb.	Mars	April	Mal	Juni	2	Stor- tings- valget 1985	Sept.	Okt.
		%	%	%	%	%	%	%	%	%	%	%	%	%
3	Ap.	37.1	40.9	40.8	40.3	39.4	38.7	38.2	38.9	37.6	37.3	40.8	41.6	41.9
4	DLF	0.6	0.5	0.5	0.0	0.8	0.2	0.5	0.1	0.3	0.6	0.5	0.6	0.5
5	Fr.p.	4.5	5.3	6.6	6.2	4.9	4.4	6.1	4.0	3.3	4.1	3.7	4.5	4.1
6	H	31.8	29.9	29.0	30.6	30.8	32.6	30.6	31.9	33.5	32.8	30.4	29.0	29.8
7	Kr.F.	9.3	8.6	8.4	8.6	8.2	8.2	8.3	8.7	8.7	8.9	8.3	7.4	7.6
8	NKP	0.3	0.8	0.2	0.0	0.1	0.4	0.3	0.1	0.3	0.3	0.2	0.2	0.1
9	RV	0.7	0.7	0.6	1.0	0.8	1.0	0.9	0.9	0.5	1.3	0.6	0.6	0.7
10	Sp.	6.6	5.3	5.7	5.2	5.5	6.6	7.3	6.5	5.8	5.8	6.6	6.2	6.8
11	SV	5.0	5.0	4.7	4.7	5.0	4.5	5.3	5.2	5.9	5.7	5.5	6.3	5.8
12	V	3.9	2.7	3.2	3.4	4.4	2.7	2.3	3.3	3.7	2.9	3.1	3.3	2.7
13	Andre	0.2	0.3	0.2	0.1	0.1	0.7	0.3	0.3	0.5	0.3	0.4	0.4	0.0
14	Sum:	100.1	100.0	99.9	100.1	100.0	100.0	100.1	99.9	100.1	100.0	100.1	100.1	100.0
	Ap. + SV	42.1	45.9	45.5	45.0	44.4	43.2	43.5	44.1	43.5	43.0	46.3	47.9	47.7
	H + Kr.F. + Sp.	47.7	43.8	43.1	44.4	44.5	47.4	46.2	47.1	48.0	47.5	45.3	42.6	44.2
	Ap. + SV + V	46.0	48.6	48.7	48.4	48.8	45.9	45.8	47.4	47.2	45.9	49.4	51.2	50.4
	H + Kr.F. + Sp. + Fr.p.	52.2	49.1	49.7	50.6	49.4	51.8	52.3	51.1	51.3	51.6	49.0	47.1	48.3
<p>Tallene angir hvor mange som ville stemme ved et eventuelt stortingsvalg imorgen, av dem som helt sikkert ville stemme. Det er også spurt hvilket parti man stemte på ved stortingsvalget i 1985. Forskjellene mellom de enkelte partiers oppslutning på dette spørsmål og faktisk valgresultat i 1985 er benyttet som viefaktor.</p> <p>Underlaget både for hva man stemte på sist (1985) og hva man ville stemme på imorgen er personer over 18 år som hadde stemmerett og stemte i 1985, og som er svært sikre på at de ville stemme ved et eventuelt valg imorgen.</p> <p>Det totale antall intervjuer med personer over 18 år er 898, ialt 989.</p> <p>Intervjuene ble foretatt i tiden 10.—25. oktober 1985.</p> <p>GALLUP/NOI</p>														

Key:

- | | |
|--------------------------------|------------------------------|
| 1. 1981 Parliamentary Election | 8. Norwegian Communist Party |
| 2. 1985 Parliamentary Election | 9. Radical Liberal Party |
| 3. Labor Party | 10. Center Party |
| 4. New Liberal Party | 11. Socialist Left Party |
| 5. Progress Party | 12. Liberal Party |
| 6. Conservative Party | 13. Other Parties |
| 7. Christian Democratic Party | 14. Total |

The figures show how many--out of those who definitely would vote--would vote for a particular party in a possible parliamentary election tomorrow. Inquiry also was made concerning which party the person voted for in the 1985 election. The difference between the support for a given party in response to this question and the actual election result in 1985 was used as a weighting factor.

The underlying standard for both the party supported last time (1985) and the party which would be supported tomorrow is people over age 18 who were entitled to vote and who did vote in 1985 and who were very certain that they would vote in a possible election tomorrow.

The total number of interviews with persons over age 18 was 898, with 989 interviews in all.

The interviews took place during the period 10-25 October 1985.

12578

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POLITICAL

NORWAY

PAPER SEES NEED FOR AGREEMENT BETWEEN COALITION, PROGRESSIVES

Oslo AFTENPOSTEN in Norwegian 14 Nov 85 p 2

[Editorial: "The Politically Great"]

[Text] Much may, undoubtedly, be said about the Progressive Party and its policies, and, as the readers will know, we, for our part, have been quite frank toward this most peculiar party. However, if a few politicians conduct themselves as if they are better than others in a parliamentary respect, we should be allowed to react to it. In a representative democracy where the people is governed through its elected representatives, the parties owe one another mutual respect. It will not do, as we have seen happening within the middle parties, to behave toward Carl I. Hagen's party as if they were a group of lepers.

If there are still some people who are not aware of the actual parliamentary situation, we shall, for the sake of order, point out that the Progressive Party not only has two fully valid seats in parliament but also has possibilities of introducing political proposals which may create serious problems for all of the nonsocialist parties. However much one may deplore this state of affairs, one cannot disregard the fact that it is an important aspect of the present political situation.

Earlier this week, the chairman of the Progressive Party presented a list of 54 individual items which he would like to discuss with a view to arriving at a budget agreement with the nonsocialist coalition parties. We have to openly admit that Hagen's list is a quite extraordinary mixture of a little bit of everything--indeed, practically everything ranging from paraboloid aeriels to social security. The party leader, however, points out that he has presented such a rather long list in order to provide parliament with the possibility of arriving at, at least, some decisions. We find this a becoming, modest statement, which, incidentally, is in full agreement with the present political situation.

Anybody who is interested in discussing ways of navigating the government's budget through the complicated political waters will at least make sure, for the mere sake of political self-preservation, that he examines the contents of Mr. Hagen's list. There might, for example, be items in his letter

on which an agreement might even be reached. Much to our surprise, we, therefore, learn from one of the local afternoon papers that the deputy chairman of the Center Party, Anne Enger Lahnstein, has reached the point that she does not even want to read the letter from the Progressive Party. "I have not seen Carl I. Hagen's list of bills which he wants to have introduced in parliament, nor do I intend to see it," she states.

In view of the existing balance of power in parliament, we find that Anne Enger Lahnstein's statement does not exactly reflect any actual political acumen. In any circumstances, there ought, indeed, to be a limit to one's arrogance. Fortunately, the head of the government has said the things that ought to be said. Even if the election result, in itself, would not make it logical for the Progressive Party to obtain any major influence, the coalition parties ought to study Hagen's letter more closely, Willoch points out.

We have previously taken the liberty to indicate that, in the present parliamentary situation, it will be necessary to arrive at, if not definite agreements, then at least certain "arrangements" which will make it possible for the government to govern with a modicum of ability to make political prognoses. The prime minister has an independent responsibility to see to it that the nonsocialist election victory will not become a purely political event.

7262

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POLITICAL

PORTUGAL

POLL REVEALS REASONS FOR CHANGE IN ELECTORAL PATTERNS

Poll Results

Lisbon EXPRESSO in Portuguese 19 Oct 85 pp 20R-21R

[Article by Jose Manuel Fernandes]

[Text] Before 6 October it was felt that Portuguese voters were particularly set in their ways--that the voter rarely changed his vote. But that was one of the myths that came crashing down during the "electoral earthquake" that made the PSD [Social Democratic Party] the country's largest party and lifted the new PRD [Democratic Renewal Party] into third place (with 18 percent).

In previous trips to the polls, it had always happened that approximately four-fifths of the Portuguese had remained loyal to their electoral choice, and rarely had more than 20 percent changed parties. That percentage has now doubled. According to a poll conducted for EXPRESSO by Euroexpansion, 41 percent of the voters chose to change their vote. The main victim of that change was the PS [Socialist Party], and its chief beneficiary was the PRD.

But what induced the voters to change--or not to change--their vote? That is the question that this poll attempts to answer.

Let us begin by looking at the reasons behind the unexpected voter support for the PRD.

PRD: Importance of Eanes

It was a voting choice with a positive component--the party persuaded the voter with its message--and a component of negation--of reaction against the "old" parties, which were no longer giving satisfaction. In the PRD's case, the positive component is strongly dominated by the figure of its leader, and that is odd, since this was the only party in which the "natural leader" was not physically present in the campaign.

The fact is that 73.9 percent of those who said they voted for the PRD felt that the "likableness" of its leaders was a basic factor in their choice. On the other hand, the "party's ideas" and "defense of their interests" were

decisive factors for only 27.3 and 30.3 percent respectively of those voting for the PRD. The importance of the party's leader in determining voters' choices was also greater here than in any of the other big competing parties (where the figures were 21.2 percent in the case of the CDS [Social Democratic Center Party], 17.9 percent in the case of the PSD, 8.0 percent in the case of the PS, and zero in the case of the APU [United People's Alliance]).

The "need for change" and the fact that it was "a new party rather than an old, wornout party" were the other two reasons why many voters chose the PRD.

Most of those voters came from the PS, and they did so not only because they believed in the political project associated with the president of the republic but because they felt disillusioned with the Socialists. That is the component of "negation" in the vote for the PRD. "Unkept election promises" and disenchantment with party performance in the past were the major reasons for the transfer of votes. In the case of voters who shifted from the APU to the PRD, there was a desire above all to "vote usefully"--in other words, to shift their vote from a political force far removed from the centers of power to one with a chance of getting there. This interpretation is confirmed by the fact that three-fourths of the voters who shifted from the APU to the PRD also did so because of a "need for change"--a change in which the PRD might play a leading role but which would be out of the question for the APU.

Useful Vote Shift from CDS to PSD

The desertion of the CDS in favor of the PSD also occurred because voters on the right were casting a useful vote for the Social Democrats and because of the attractiveness of PSD leader Cavaco Silva. But the vote for the PSD has a much more ideological component: almost half of those voting for the PSD (47.4 percent) said their choice was due to "the party's ideas," and only about one-sixth mentioned the "likableness of the leaders."

In any case, Cavaco Silva played a basic role in the decision by PSD voters to stick with the party, and the figure of the PSD leader was the main reason indicated by those voters who remained loyal to the PSD (34.9 percent). The next most important reasons were "guarantee of the future" (31.1 percent), "ideology" (25.8 percent), and the aforesaid "likableness" (19.5 percent).

On the other hand, prime responsibility for the election disaster suffered by the PS cannot be placed on Almeida Santos. While he did not help the party keep its voters--only 3.9 percent of the PS' voters stayed with it because of its leader--neither was it his fault that almost half of the party's voters deserted it--only 2.6 percent of the Portuguese who shifted their vote away from the PS said it was because the party's leader was not likable.

If the PS has any reason for complaint, that reason is the PS itself--or, more accurately, its image among voters. "Nonfulfillment" of its promises and "poor performance in the past" are the reasons mentioned by most of those who deserted the PS this time (29.8 percent and 28.5 percent respectively among those answering, with the figures rising to 47.2 and 40.1 percent among those who shifted to the PRD).

Those Who Stayed With Their Party

Party	Reason for staying	Percentage
PSD	Leader	34.9
	Guarantee of future	31.1
	Ideology	25.8
PS	Good performance in past	23.7
	Ideology	22.7
	Guarantee of future	19.4
APU	Defense of interests	47.0
	Ideology	35.4
	Good performance in past	20.0
CDS	Ideology	69.1
	Leader	22.2
	Likableness	10.1

Those Who Voted for a Different Party

Vote shift	Reason for change	Percentage
From PS to PRD	Voted for PRD because:	
	Need for change	49.1
	New instead of old party	39.9
	Did not vote for PS because:	
	Did not keep promises	47.2
From APU to PRD	Poor performance in past	40.1
	Voted for PRD because:	
	Need for change	74.0
	Guarantee of future	56.8
	Leader	50.3
From CDS to PSD	Did not vote for APU because:	
	Useful vote	48.7
	Voted for PSD because:	
	Useful vote	58.2
	Leader	41.7
	Did not vote for CDS because:	
	Useful vote	59.5
	Poor performance in past	16.8

Those who remained loyal ranged from those continuing to see the party of Mario Soares as the "guarantee of the future" (19.7 percent) to those praising its "good performance in the past (23.7 percent), those subscribing to its ideology (22.7 percent), and those confessing that they voted for it only out of "inertia" (13.2 percent). The PS was in fact the party with the highest number voting for it out of inertia: the figure in the PSD's case was only 7.0

percent, and for the CDS it was 8.8 percent. That fact reveals that while the PS has a core of voters who are solid--those who praise its past and subscribe to its ideology, for example--and not affected by changes in leadership, it also has very fickle voters--those who continued to place their "X" in the "big hand" only out of inertia. Those are voters that the PS could lose very easily.

APU: Defense of Class Interests

Much more solid despite the shrinkage they also underwent are the APU's voters. It is seen, for example, that the figure of the leader--the oldest among all the party groups--was never mentioned as being a reason for voting for the APU. This is not surprising when we remember that the PCP is an eminently "organic" and "collective" party that has never made a personality the center of its campaigns. There was also no one saying he voted for the APU out of "inertia," and there were few (8.1 percent) who mentioned a "useful vote." On the other hand, the strongest contingent of APU supporters came from those feeling that that coalition is the one which best defends their interests. This is not surprising, either, when we remember that the PCP always presents itself as "the party which defends the workers" and "the party which defends agrarian reform."

But it was the shrunken CDS which showed that its voters--or what remains of its voters--were apparently more cohesive from the ideological standpoint. Although only 42.3 percent of CDS voters mentioned the "party's ideas" on being questioned concerning the most important factors in their vote--and that is a smaller percentage than those recorded for the PS and the PSD--"ideology" was the reason mentioned most often later as the reason for voter loyalty (69.1 percent).

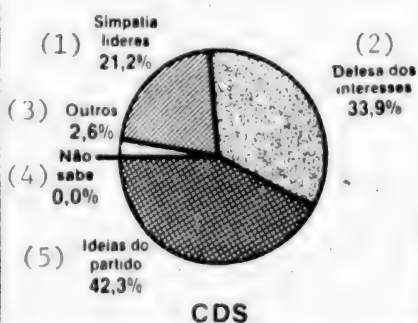
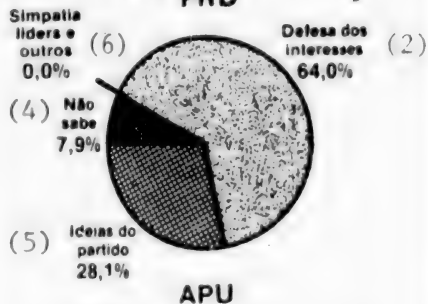
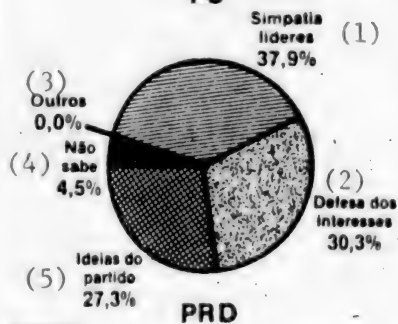
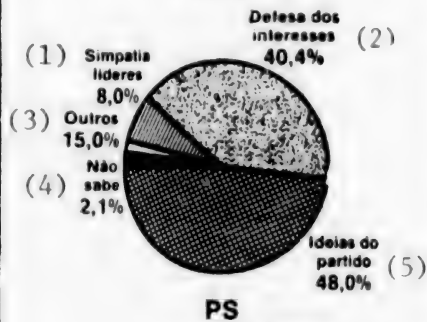
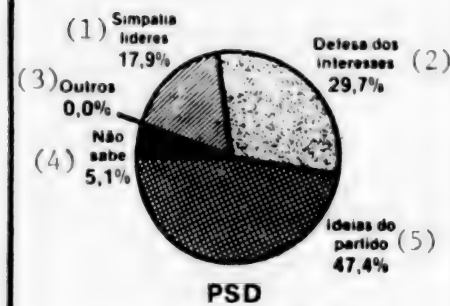
In turn, the flight of voters to the PSD was mentioned by only a few as being due to the poor performance of the CDS. It was justified mainly as being a "useful vote." In other words, it was a case of voters whose hearts remained with the CDS but who, for markedly rational reasons, voted for the party they considered most likely to ensure a victory for the Right, and in this case that party was the PSD.

It should be noted that despite everything, CDS leader Lucas Pires was the second most important reason why people voted for the CDS, being mentioned by 22.2 percent of those polled. In other words, the gap between him and CDS voters, which drew so much comment during and after the campaign, may not be as great as was imagined.

What Is Purpose of Election Campaign?

But one of the most interesting revelations in this poll concerns the effect of the election campaign on people's voting intentions. Although nearly 40 percent of the voters did not decide how they would vote until after the start of the campaign (see below under "Undecided (Almost) Until the End"), very few admit that they were influenced by the "seduction campaigns" of the various parties. The things proclaimed during the election campaign do not even

Most Important Factors in Voting Choice



Key:

1. Likable leaders
2. Defense of voter interests
3. Other
4. Don't know
5. Party's ideas
6. Likable leaders and other personalities

appear among the main reasons for the votes by those remaining loyal to the party they voted for in 1983, and only 5.1 percent of those who changed parties said that the campaign influenced their choice. The PSD seems to have been the party benefiting most from the election campaign (11.9 percent of those voting for it for the first time were attracted in that way), followed by the APU (7.1 percent) and the PRD (5.6 percent). On the other hand, both the PS and the CDS apparently did not attract a single voter through the "seductiveness" of their campaigns.

(This poll, conducted for EXPRESSO by Euroexpansion, was based on a fixed panel of 500 voters selected on the basis of territorial, sociological, and political criteria. It is valid only for the mainland. The fieldwork was carried out on 7 and 8 October.)

Undecided (Almost) Until the End

The PRD was the clear winner in the race to attract undecided voters. At the start of the campaign, it was in last place among the voters' preferences, with only 7.5 percent intending to vote for it. But on 6 October, it wound up in third place with 18 percent.

The PRD benefited from the fact that before the campaign, only a little over one-fifth of its voters had already made up their minds. After that there was a rush up the election chart: in the first 2 weeks of the campaign, when Manuela Eanes had begun appearing on television, the PRD attracted another 36.6 percent of its voters, and in the final week it picked up an additional 23.5 percent, winding up as the party managing to persuade the largest number of voters right up to the door of the polling place.

At the opposite end is the PS. Of the total number voting for the Socialists, only 18 percent let themselves be persuaded during the election campaign, and that is fewer than the number who, when they came face to face with their ballot, wound up not "betraying" the big hand.

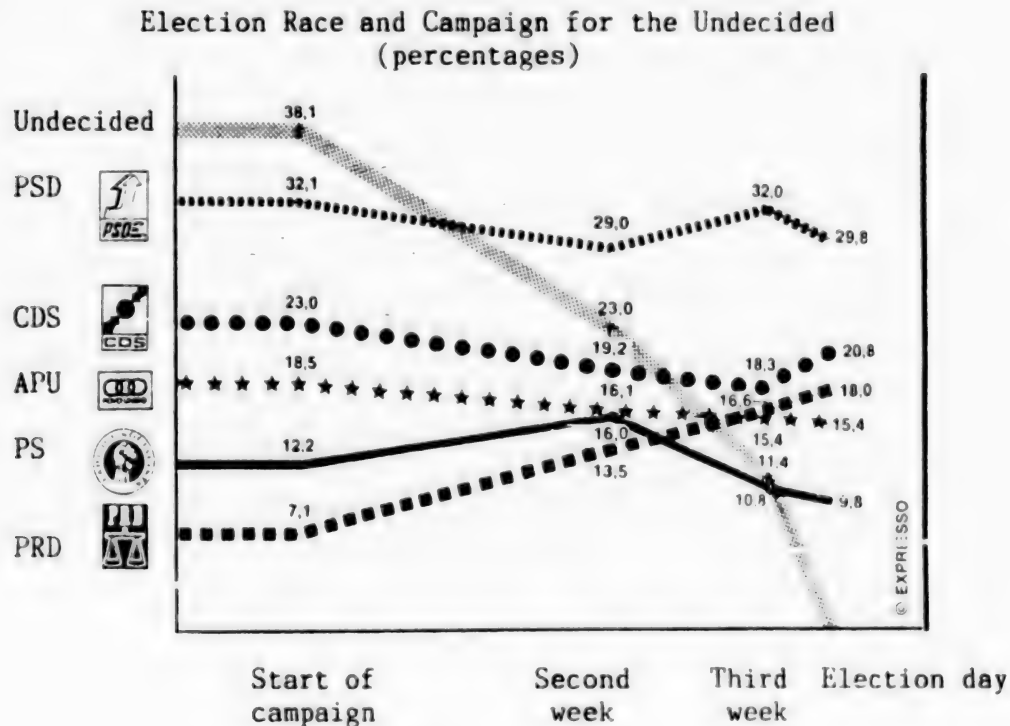
The CDS and the APU--the other two parties that lost votes in terms of 1983--also gained little from the campaign: they gradually dropped on the scale of voter preferences. The largest percentages of those making their decision before the campaign are to be found in those two parties and the PS: 67.3, 68.1, and 63.9 percent respectively. This indicates that the voters they have held on to are more solid and more loyal.

When Was Voting Decision Made?

Decision was made:	P a r t y				
	CDS	PSD	PRD	PS	APU
Before the campaign	67.3	58.6	21.8	63.9	68.1
In first 2 weeks	18.7	16.5	36.6	9.7	14.1
In final week	10.5	16.9	23.5	8.2	6.6
On election day	3.6	8.1	18.5	18.7	11.2

The figures are percentages of the final vote for each party.

But perhaps the most interesting information in this poll is the fact that 11.3 percent of the voters waited until the last day--that is, election Sunday itself--before making their final decision and that, from all indications, they hesitated until the last minute between the PRD, the PS, and the APU, those being the parties chosen by the highest percentages on election day itself.



PCP Losses Discussed

Lisbon TEMPO in Portuguese 18 Oct 85 p 18

[Commentary by Manuel de Portugal: "Gains and Losses"]

[Excerpts] We all know Dr Cunhal inside out. Even if he lost 1 million votes, he would still say that the Communists had won a resounding victory.

Like the reflex pain announcing an infarct, there have been symptoms that the star of the reign of communes in Portugal has begun to wane. Perhaps slowly. But with an auspicious beginning.

Three unpleasant surprises disappointed the hopes of the APU's tsars, for whom the polls had been predicting striking growth as a result of growing discontent born of rising unemployment, wages in arrears, and the poor living conditions of the Portuguese, who were pulling their belts a notch tighter every day while before their very eyes, the Socialists were getting fatter at the expense of our collective well-being.

The first hope to be frustrated was the near certainty that the number of deputies for Aveiro would double as a result of that district's psychosocial conditions and the valiant efforts by capitalist Zita Seabra, who is active in the ranks of the self-styled "workers party." At the end of a campaign that was creative in terms of election marketing, the APU retained the only seat it has ever managed to win in the land of that marvel, eggs yolks cooked in syrup, and suffered the discouraging defeat of zero growth, which was neither predicted nor expected.

The second and more important defeat was the party's loss of a deputy in the Setubal district--the "district of hunger," the Red fief, and the industrial zone where popular discontent is greater and the social crisis more acute. It is a district officially in crisis, where hunger, although spotty, is already a reality. So it was reasonable to expect that the Communists would retain their previous position or, as a result of such worrisome social situations, even increase their base of support and manage to elect one or two more deputies from that district. But as it turned out, they lost one seat, while the PSD (a reactionary party in the eyes of Lisbon's Muscovites) increased its parliamentary representation from Setubal from two to three seats.

The third defeat was also the loss of one seat, this one in a basically agricultural district replete with that marvelously revolutionary and technically bankrupt experience known as Collective Production Units--Alentejo-style kolkhozes. We are talking about the Evora district, where the APU also dropped from three to two seats. That is a serious sign when we consider that both the "rightwing" PS and the "extremely reactionary" PSD retained their positions in that critical zone in the technical-political fiasco of agrarian reform.

Those three symptomatic reverses--the first in a developed and traditionally political district, the second in a predominantly industrial area with a proletariat easily manipulated by Cunhal demagoguery, and the third in a zone of rural dwellers where many depend, directly or indirectly, on Soviet overseers carrying Portuguese identity cards--are the touchstones in a list of gains and losses giving comforting evidence that when all is said and done, the Communists are not that cohesive and disciplined machine in which not even one vote is missing. They are merely a human group in which fluctuations of opinion can occur just as they do in any other party--the CDS, for example, to compare the Communists with their opposite number, which they criticize and hate so much.

If we look at the Lisbon constituency, where the heterogeneous amalgam of voters with varied occupations, social origins, and living environments prevents them from being placed in a standard category, we see that the phenomenon of Communist disappointment manifested itself very clearly here as well. The APU lost three important seats, with the result that its presence in Parliament dropped from 15 to 12 deputies.

As far as the PRD's spectacular gains are concerned, it is odd to see how a people can vote for a party that is completely vague as to its ideology and motivated solely by the austere portrait of the man who never laughs--although

laughter is a blessing from God for a normal person. The interesting thing, to a political analyst attentive to the deep-seated fickleness of public opinion, is to pose the hypothesis that a few years from now, when Eanes is no longer president of anything and the PRD has not succeeded in doing any more than the other parties, which are corseted by the system and conditioned by the rules, the ordinary voter will say in disillusionment that "when it gets down to it, they are just like the others."

11798

CSO: 3542/19

POLITICAL

SWEDEN

PAPER COMMENTS ON PARTY STANDS IN RIKSDAG OPENING DEBATE

Stockholm DAGENS NYHETER in Swedish 16 Oct 85 p 2

[Editorial: "The Main Alternative"]

[Text] The prime minister spoke amicably until, in his final remarks, he addressed himself to the Liberal Party and Bengt Westerberg. He accused the Liberal Party of having kept silent about the Center Party's cooperation with the KDS [Christian Democratic Union] during the election campaign and thereby sharing responsibility for that "circumvention of the Constitution." With inimitable pathos, he made the Liberal Party appear more burdened with guilt than the Center Party. Cowardly! Betrayed its ideals! Moreover, the Liberal Party has not dissociated itself from its fellow party members in Malmo who are cooperating with the Skane Party. After many years, the guns are now being turned on the Liberal Party.

That is precisely what Bengt Westerberg has wanted from the first moment. He has tried to provoke Olof Palme time after time. In Tuesday's debate, the 5-percent party from August proclaimed itself the one main alternative in Swedish politics: "The crucial struggle in Swedish politics is between social liberalism and social democracy," said Westerberg, and it did not sound presumptuous.

It has happened that party leaders have become prisoners of their own success. The danger is probably not very great in Westerberg's case, since he won the election by coming across as more balanced and objective than his rivals. He has more room for maneuver than many other election winners, and the line he supports is having a big influence on the conduct of the other parties.

Thorbjorn Falldin pointed out that the middle parties are now "the next largest political force" and that the Center Party views that as a big advantage. In Parliament, it means that the middle parties have 95 seats to the Conservative Party's 76. The Liberal Party has 51 seats, and the Center Party has 44. This means that the Liberal Party will be able most frequently to formulate the alternative to government bills in final votes.

And if the government wants to reach agreement with the opposition, it will have to approach primarily the Liberal Party. If it is a question of cutbacks

aimed at restricting demand, as recommended by the governor of the Bank of Sweden, the Liberal Party is prepared to help out to the extent of several billion kronor--in the form of lower grants to municipalities, for example.

On the question of cooperation in other respects, Westerberg is saying as little as possible for the moment. Thorbjorn Falldin was more anxious during the debate to draw the line against the Left. For ideological reasons and because of bad experiences, the Center Party has no interest in compromises with the Social Democrats. Falldin brought up the 1981 tax agreement, in connection with which the Social Democrats had said that the middle parties "had fallen flat on the ground." During the 1982 election campaign, the Social Democrats had demanded assurances from the Center and Liberal Parties that they would stick to the agreement, but had then changed the agreement themselves after the election in response to pressure from the LO [Swedish Federation of Trade Unions].

In one response, Falldin came back to the expression "had fallen flat." That statement had never been retracted publicly, he said.

It was Kjell-Olof Feldt who reportedly had made that sneering remark during a conversation with Olof Palme in May 1981, and Palme had repeated it to others. In an article in DAGENS NYHETER last summer, Feldt wrote that he had never felt, let alone said publicly, that the middle parties had capitulated on the tax issue in 1981. He recalled that he had stated in Parliament that the agreement was a compromise.

In the same article, Feldt expressed his regret that the government had unilaterally changed the tax agreement after the 1982 election. The blunder "was due not to ill will but to thoughtlessness in a tight situation," and Feldt explained that he, as the one responsible for tax questions, had apologized to Falldin and Westerberg for his conduct.

That being the case, could not the matter be considered settled? Perhaps the trust on which the tax agreement was based cannot be restored, but the atmosphere would improve if a public apology were accepted. There are going to be situations over the next few years in which the parties will simply be forced to trust each other--on defense issues, if nothing else. So far, no one has broken the defense agreement that was reached in March 1984.

The keynote of Tuesday's debate was expectation and uncertainty. The government is keeping its plans secret, and we do not know if it wants to establish cooperation with anyone other than the Communists. The economy is turning downward, but perhaps we will be helped by a lower rate for the dollar and lower oil prices. What tricks is the government intending to try against inflation? Now that the election is over, a period of time is being devoted to reflection and the mustering of strength, with the center of gravity in politics being shifted from the public eye to closed rooms. That is why the general political debate was so tranquil.

11798

CSO: 3650/43

POLITICAL

SWEDEN

RETURNING TO RURAL BASE SEEN ONLY HOPE FOR CENTER PARTY

Stockholm DAGENS NYHETER in Swedish 1 Nov 85 p 8

[Commentary by Sven Svensson: "Rural Area Must Be Center Party's Base"]

[Text] In its preparations for the next election, the Center Party will have little room for maneuver regardless of who its party leader is at that time. A rapprochement with the Social Democrats is doomed to failure, while concentration on the "green" big-city line will mean giving the Conservatives a helping hand. Recovering its rural base must be the Center Party's goal, writes Sven Svensson.

It is a dead certainty that any nonsocialist party establishing organized political cooperation with the Social Democrats can expect to lose in the 1988 election. The Center Party's painful self-examination must be based on that observation. And this is true regardless of whether the party leader's name is Thorbjorn Falldin or something else.

Like the various changes in government, our six elections for the unicameral Parliament have cemented the division into political blocs. There are no indications that it will be possible to loosen up those blocs before the 1988 election. For that to happen, there would have to be an international crisis violent enough to force the parties into political cooperation.

As a result, the Center Party's alternative is to try, if possible, to find a somewhat freer position in the nonsocialist bloc and within the narrow margins that exist. Its freedom of movement should be facilitated to some extent by the shifts among the nonsocialist parties that occurred in the last election.

Liberal Party leader Bengt Westerberg currently appears to be the brightest of the nonsocialist stars, while Conservative Party leader Ulf Adelsohn's position has weakened both within the nonsocialist bloc and within the Conservative Party.

No matter who the Center Party leader is when the 1988 election is held, he will no longer have to take any responsibility for solidarity within the nonsocialist bloc. He will have to think only of his own party.

The Center Party's freedom of movement will nevertheless be fairly limited over the next 3 years. The starting point is that the Liberal and Center Parties will jointly formulate the nonsocialist position on Parliament's committees.

Certainly it is painful for the Center Party to acknowledge that dependence on the Liberal Party. But doing so is a crucial political condition for putting the Conservative Party in its place. If the Center Party pursues its own policy, the nonsocialist initiative will pass to the Conservatives.

How things will go in the case of specific issues in Parliament will depend more on the attitude of the Social Democrats than on that of the Center Party. If the Social Democrats adapt their legislative bills to fit the views represented by the Center Party, it should be possible to reach agreements in committee. The Center Party leader has no more reason than the Liberal Party leader to abandon earlier positions.

In this year's election campaign, the Center Party came across as more hard-boiled and less socially aware than the Liberal Party. This was because retrenchments were in the foreground and because Thorbjorn Falldin stressed great distrust of and a negative attitude toward the Social Democrats.

In the search for a Center Party policy that would create confidence, it will be important to go back to stressing an increased social awareness and solidarity with those in society who are worst off.

The outcome of the parliamentary elections points to three special problems for the Center Party. Its election losses were exceptionally big in such typically agricultural counties as Halland and Skaraborg and in the big city areas. Moreover, its losses in 1985 also extended into the Norrland counties. In its three previous election defeats, the Center Party had fared reasonably well north of the Dal River.

A recovery by the Center Party must be based on competition with the Social Democrats for wage earners in rural areas, company towns, and smaller population centers and with the Conservatives for the farm vote. Taking anything away from the Liberal Party in this situation is hardly a feasible policy. Straying Liberal Party voters have found their way back home for the first time in a long time and are overjoyed to be there.

Initiating organic cooperation with the government party is hardly the way to win voters away from the Social Democrats. In that case, the voters might as well continue voting for the Social Democrats in one more election.

The Center Party's increased social awareness must therefore be combined with criticism of the Social Democrats for their excessively collectivist-oriented policy with its demand for a strong monopoly within the public sector. This will require subtleties and precise definitions in future policy. Such precise definitions have not normally been the Center Party's strong point.

The question of winning farmers back from the Conservative Party throws light on the dilemma facing the Center Party now that it has suffered four election defeats in a row. A crucial condition for winning back that vote is that the Center Party must be able to present a clear nonsocialist profile and a strong recommendation for a nonsocialist three-party government coalition.

A strong aversion to the Social Democrats exists among farmers today as a result of the latest price agreements and various tax proposals. The slightest flirtation with the Social Democrats may therefore be viewed negatively by agricultural voters and lead to further losses to the Conservatives.

The emergency planning group set up by the Center Party under the leadership of defeated Member of Parliament Arne Fransson can scarcely come to any conclusion other than that the party's economic and political resources must now be concentrated on those population groups and areas in the country where the Center Party feels it has the best chance of recovering political ground. It is scarcely productive to try to sweeten its image evenly all over the country and in all population groups.

The target groups must be primarily antisocialist-oriented core groups in the rural areas with conservative cultural and social traits and small businessmen in small and medium-sized population centers. Concentrating on a "green" big city policy would probably mean giving the Conservatives a welcome helping hand in their own recovery following this year's surprising election shock.

11798

CSO: 3650/43

POLITICAL

TURKEY

AKYOL ON PROSPECTS OF LEFTIST VICTORY IN NEXT ELECTION

Istanbul TERCUMAN in Turkish 5 Nov 85 p 6

["Objective" column by Taha Akyol: "Left and Right"]

[Text] The merger of two parties on the left to form the SHP [expansion unknown] is an important event. In our entire political history no other two parties have merged with such devotion and respect for the principles of "general equality." Indeed, when Yildirim Avci, the leader of the Correct Way Party during its difficult days, said "I do not understand how SODEP [Social Democracy Party] could reconcile itself with the PP [Populist Party]," he was underscoring the fact that the merger was accomplished with sacrifices whose magnitude the right cannot comprehend.

TERCUMAN conducted a survey whose results will be published on 6 November. While this article was being written the computer processing of the data had not been completed. However, judging from the surveys conducted by YENI ASIR and MILLIYET, the social democrats believe that the SHP is moving toward becoming government. The issue of which side wins the election is naturally important for us, but what is most important is that the democratic machinery work, grow and take root.

Situation on Left

In Spain, Portugal and Greece, authoritarian or interim regimes were followed by rightist governments and then, after the second general election, by leftist governments. Will that happen in Turkey as well? There is still a long time before the 1988 elections. The result of that election will be determined by such factors as the policy to be pursued by the SHP, the internal problems of the left and whether the discord on the right continues.

Mehmet Ali Aybar is a radical socialist who strongly opposes the Soviet line and who abhors Leninism as much as he does fascism. In a statement to Yener Susoy, he said that neither the SHP nor the pro-Ecevit DSP [Democratic Left Party] are truly leftist parties and that conditions for forming a socialist party which will represent the "true left" are maturing progressively.

Should we rejoice because a factor may emerge which may divide the left and make the right's job easier?

Bulent Ecevit's DSP, which will be formally established this month has become the nightmare of the united left. Virtually all leftist writers have stated that the left can assume power only if "Ecevit cannot grow so strong as to divide the vote."

Supporters' Problems

The fact that the right bases its hopes of winning on discord on the left and the left hopes to come to power on the basis of disunity on the right is a weakness. In politics, breakups and mergers are naturally important, but when a party tries to rise to power by making itself popular and by winning a true majority of the votes, then democracy is strengthened. A divided political spectrum weakens democracy in the long run even if it can successfully shape the political course for short periods of time.

From this perspective, the SHP has many problems. We must take Ecevit's sensitivity about "the left's old ailments" as a serious warning. Gurkan's good will and Inonu's sober and modest attitude are not sufficient to keep the SHP from reliving and redreaming old adventures.

Furthermore, the SHP program, like other programs, embodies general principles. But it is not clear what the party will do on particular concrete issues such as how it will increase wages without causing inflation, how it will boost exports without a floating currency exchange system and without subsidies and how it will expand domestic production without an adequate flow of imports which are fueled by healthy exports.

The results of economic policies implemented by poor Allende in Chile and Mitterrand in France are well known. In Turkey's case it is also essential to avoid extremisms which may drag the country into dangerous tensions.

We have three years before the election. The left will spend these three years with hopes of assuming power while the right will spend it with a government which has been weakened by inflation and a rightist opposition which has lowered politics to the level of inventing the term "actor prime minister." If nothing changes on the right during these three years we should not be surprised if the man on the street who is being crushed by inflation votes the left into power since he is certainly not going to place any hopes on remarks like "actor prime minister" or "tomato beauty."

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ONED: 3554/12

POLITICAL

TURKEY

REPORTER'S NOTES ON PROCEEDINGS OF SODEP-PP MERGER CONGRESS

Istanbul TERCUMAN in Turkish 4 Nov 85 p 10

["From Inside the Event" column by Taha Akyol: "SODEP Has Departed"]

[Text] We no longer have a party named SODEP [Social Democracy Party] on the Turkish political scene. Now there is a "united" SHP [expansion unknown] which is determined to come to power. The SODEP congress which terminated itself was much more organized and sober than the congress which changed the Populist Party [PP] into the SHP. There were also more people [at the PP congress].

The first thing that caught our attention was that all the placards and signs in the PP congress hall were maintained exactly as they were, with the exception of two. As usual, there were the principles of the 6 Arrows, Ataturk's maxim that "Ideas cannot be killed with guns and cannons" and slogans appropriate for a social democratic congress, such as "Free press, impartial TRT."

As for the two exceptions I mentioned, a placard used to hang over the entrance to the PP congress hall. It said: "Stop executions, evacuate the prisons." On the day of the congress, SODEP officials had removed that placard and placed it at an un conspicuous spot in the back of the hall. Also, the cloth banner which used to hang across PP's Chairmanship Council bench and which proclaimed "Torture is a crime against humanity" had been removed.

Inonu's Speech

Erdal Inonu was endorsed as the leader of the new party. The cheering by the congress delegates exceeded the show of affection accorded to ordinary party leaders. The image of father-son Inonus preserving historical continuity has apparently taken hold. Erdal Inonu's political style resembles that of his father: He speaks carefully, and he is a cautious and serious leader--perhaps more than it is necessary.

While criticizing Ozal, Inonu did not condemn "liberal economics." He chose to use the term "arbitrary implementations behind the facade of liberal economics." Also, he did not include in his speech any of the cliches frequently mouthed by a certain segment of the left such as "capitalism, exploitation and imperialism."

With the same cautiousness, he did not criticize or express opposition to any of the security investigations. He simply condemned the "abuse of security investigations" and demanded that university faculty who have been dismissed on the basis of Article 1402 be restored to their former positions.

When he began talking about the issue of amnesty, Inonu was given a big applause, and a small group with not too many participants began shouting the slogan "Evacuate the prisons, we want general amnesty." Inonu defended the amnesty proposal prepared jointly with the PP, and this proposal did not say "evacuate the prisons." It only proposed that the amnesty cover common criminal offenses, offenses coming under articles 141, 142 and 163 and press offenses.

'President Inonu'

Inonu is a leader who would rather inspire confidence in the masses than excite and electrify them. Consequently, he acts modestly. He said: "I did not know about politics, you taught it to me. Even so, it seems I still have not learned it well since we are terminating SODEP." This was greeted with a massive wave of applause in the hall. Some of the delegates began shouting "President Inonu."

Mrs Sevinc Inonu did not sit in a special chair next to her husband. She followed the congress' proceedings silently and unobtrusively from a chair two rows behind Erdal Inonu. She wore an ordinary and "not-too-showy" dress.

When [PP leader] Gurkan was introduced he was greeted with applause. He began his speech among shouts of "Gurkan to the podium." I noticed that Gurkan did not describe the votes won by SODEP as "votes of desperation." On the contrary, he praised them and said that unity depends on the "congregation of the social democratic mass under SODEP." Gurkan was applauded profusely. Later, in a commendable gesture, he declared Inonu as "SHP's founding leader."

SHP's Future

The delegates at the congress widely believed that the SHP is a feasible contender for becoming government. This is indeed possible given the discord on the right. SHP's current leadership is temporary. Their grass roots organizations will hold a joint PP-SODEP congress and will elect permanent leaders and administrators at SHP's first general congress.

Various factions of the left may be expected to fight fierce battles beginning with district and province congresses. It appears that SODEP and its affiliated groups will play a more dominant role in these fights.

Inonu has no administrative duties in SHP. Since the merger took place under the PP's roof, he did not want to ask for the leadership of the party since that may have led to a conflict. On the other hand, he did not consent to becoming the "No. 2 Man." I interpreted this as a certainty that Inonu will stand as a candidate for the leadership of SHP at the party's first general congress.

MILITARY

EUROPEAN AFFAIRS

DEFENSE MINISTER ON ARMY'S 'POTENTIAL ADVERSARY'

PM251129 Paris LE MONDE in French 21 Nov 85 p 25

[Jacques Isnard dispatch: "Quiles Attends Maneuvers in FRG"]

[Excerpts] Pforzheim--"You more than others have a practical and specific perception of the threat, you know that it is diverse, changing, and variable." The French defense minister did not make this statement fortuitously in Pforzheim, FRG, on Tuesday 19 November when addressing the officers and NCO's of the 2d Army Corps forming the general staff cells involved in the "Fayolle" command exercise which Paul Quiles attended.

For the first time for many years the French army stationed on the other side of the Rhine did not beat about the bush in identifying its aggressor before the minister and the journalists accompanying him.

The lineup of generals--Army Chief of Staff General Maurice Schmitt; General Charles de Llamby, the general commanding the 1st Army; and General Furey Hon-det, the general commanding the 2d Army Corps and the French forces in Germany --who escorted Mr Quiles bluntly and openly officially named as its potential adversary the Czechoslovak 4th Army and the Central Group of Forces under Soviet command in Czechoslovakia.

In his way the defense minister also helped dispense with any hypocrisy in identifying the enemy. To express France's solidarity with its allies and the participation of its forces alongside the NATO forces, Mr Quiles said this is conclusion: "It is indisputable and undisputed that serious threats to Europe, and especially to the FRG, would profoundly affect our country's security. The threat, if there was to be a threat, is not very far from here."

This political frankness, which is particularly spectacular since it once again of ambiguity, rather over-laid the irritation which the defense minister once again showed about the criticism leveled at him by some active and reserve generals.

"Just because some ill-tempered general makes some comments without really analyzing the facts, I do not necessarily have to take offense," Mr Quiles explained. My role is to listen to what is said, and watch what is done, he

aware of the aspirations and realities of the French Army. It is not to listen to a few ill-tempered people who, for reasons of their own, feel sour about something. If some people want to do more, they will have to tell us in which area of the budget we have to economize. Should it be fewer schools, hospitals, and roads. Or should we increase taxes; they must say clearly what they want. Making criticisms without making this kind of proposal is demagoguery."

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CSO: 3519/57

MILITARY

DENMARK

LIND SEES SERIOUS DEFECTS IN ARMED FORCES MATERIEL

Copenhagen BERLINGSKE TIDENDE in Danish 21 Nov 85 p 8

[Article by Nils Eric Boesgaard: "Sacrifices Needed to Preserve Freedom"]

[Text] "It has been forgotten that in 1966 the politicians agreed that the armed forces should get 400 million kroner a year for new acquisitions. Therefore the three branches of the armed forces are facing serious modernization problems today," said General O. K. Lind, retiring chief of the armed forces.

"All three branches of the Danish armed forces have serious modernization problems today, our materiel is outdated and worn-out to a large extent," said General O. K. Lind, who will step down as chief of the armed forces at the end of the month.

Solving this problem is the heavy burden General Lind will pass along to his successor, Admiral S. E. Thiede, who will take over as the new defense chief on 1 December.

This change in the leadership of the armed forces occurs at a time when the political debate on nuclear arms and a Nordic nuclear-free zone is becoming increasingly more strident.

"It has been disappointing to see the change in Denmark's attitude toward the role of nuclear weapons as part of NATO's strategy to prevent war," the general said in a comment on the latest security policy debate in Folketing. "Fear is a poor foundation for security policy."

"The generation that experienced the occupation and the liberation clearly understood the role of the American nuclear weapons as a means of preventing war. No one regarded this as amoral--and I do not do so now, especially when one considers the alternative," O. K. Lind added.

Materiel Problems

The materiel problems of the armed forces are a great concern to the departing defense chief:

"The problems go back to the middle of the 1960's when the U.S. arms aid was discontinued. The parties to the defense compromise at that time agreed that the armed forces should receive 400 million kroner a year for new acquisitions. But we never got the money and since then we have been putting off a growing number of replacement purchases," said General Lind, who in his 45 years in the army has helped to prepare the armed forces proposals for all our defense agreements except one.

"If we had received the money--which would have amounted to around 2 billion kroner a year by now--our materiel situation would have been satisfactory. But we never got this money and that is why the armed forces has modernization problems," said the general, who continued:

"It is unrealistic to think that it is possible to win support for increased levels of strength in the upcoming negotiations, but I think we are justified in trying to gain support for a modernization program, even though our contribution to NATO's overall goal--the prevention of war--is modest. This is a need that people understand when other national institutions are involved.

Erosion Halted

"The 400 million kroner would also have helped us to maintain the entrance level we had then. During exercises we have used ammunition that really should have been stored for wartime use. This erosion of our reserves is now stopped, but we need to restore our stockpiles to adequate levels.

"Another big disappointment was the implementation tempo of the defense agreement of June 1984," said General Lind. "I have never before seen an agreement that did not go into effect from the beginning and this one did not as far as the army's peacetime force is concerned. And this did not improve when we got the supplemental agreement this August. I had hoped we could get going but problems keep arising. The 11-man group that was named by Folketing in 1981 to follow developments in the armed forces has under the impression that it should determine implementation of the agreement. In other words the actual situation is that a year and a half after the compromise we approved we are still unable to decide what the army's peacetime force should look like."

When it comes to the nature of the armed forces, in the 1970's people started talking about armed forces crises as if they were 1500-1600 job sites. This happened among other things because they were trying to recruit a substantial number of enlisted men.

"It seems to me," said General Lind, "that people forget that the army as any big institution and establish itself with a stable working attitude. It positively stress its own unique characteristics. Then one can build up the self-respect that is necessary in order to get through periods when things are not going smoothly. I think the Danish defense system is justified in feeling proud when one looks at how our units perform in an international setting. A Danish battalion is an allied force because of outstanding results and the same is true of our air squadron and our ships."

"This self-respect is important because we cannot compete with the private job market as far as wages are concerned.

New Family Patterns

"I realize that there are personnel problems in the armed forces, especially in connection with changes in family patterns with both husband and wife holding down a job. Not just to maintain a reasonable standard of living with their own house and car but also because young women today want to have their own professions and regard that as enriching their lives. This makes it more difficult to transfer personnel. I am not quite sure what we should do about this development. But something must be done if we are to hold onto our trained personnel and at the same time maintain the allround training that is necessary to provide the best level of service," said the general, who has changed his job assignment 18 times during his 45 years of service.

"One thing I liked about the 1973 arrangement was the increase in the number of enlisted men. We got capable enlisted men whom we would like to keep but we paid for it with a reduction in the number of draftees, a group we cannot do without. One cannot have a defense system in a small democracy without basing it on draftees. We need the draftees--also for the sake of defense resolve. I would like to keep the enlisted men but not at the cost of the draftees.

"When you discuss defense in Denmark you discuss money first and then the service period for draftees. Why can't we have a defense debate that is based on fundamental issues? To what extent do we regard western democracy as superior to the Soviet form of society? Unless we do this there is not much point in talking about security policy," said the general, who concluded:

"But if we agree that the western system of society is worth preserving it is not unreasonable to recall what Pericles said 2000 years ago: 'Freedom belongs only to those who have the courage to defend it.' Peace movements advance the concept of 'better red than dead.' That is meaningless. We must avoid both. And we can if we understand that there is a modern addition to Pericles' words: 'It requires sacrifices in peacetime--including economic sacrifices--to prepare for the defense of freedom.'"

6578

CSO: 3613/32

MILITARY

FEDERAL REPUBLIC OF GERMANY

PARS 3MR MULTINATIONAL ANTITANK WEAPON IN DEFINITION STAGE

Bonn WEHRTECHNIK in German Nov 85 p 72

[Unattributed article: "PARS 3MR: The Infantry's Antitank System"]

[Text] As the result of an agreement between the governments of Great Britain, France and the FRG, the Euromissile Dynamics Group (EMDG) is developing two third-generation antitank guided missile systems which should be adequate for dealing successfully with the armored vehicles expected for the 1990's. Apart from the PARS 3LR long range missile system for armored vehicles and helicopters, the PARS 3MR medium-range infantry weapon system is being developed to attack targets at ranges of up to 2,000 meters. This weapon system is to be introduced by the NATO treaty members in the early part of the next decade.

PARS 3MR is presently in the definition stage, in which an optimal weapon system configuration is being developed to serve as a basis for the impending development. Work is progressing mainly by the parent companies of the EMDG, i.e., Aerospatiale, British Aerospace and MBB, where working groups are looking for solutions concerning the munition and the weapon configuration.

Munition

Similar to present-day antitank guided missiles, the missile will be used in direct-lay attack. It is equipped with a tandem shaped-charge warhead which is expected to penetrate any passively or actively armored targets of the 1990's. The missile will be guided to the target by beam-rider guidance. For this purpose it has a receiver which is capable of determining the coordinates of the missile within the guide-beam from the guide-beam code.

The flight path of the missile is corrected by two control jets. As is the case with the MILAN and HOT systems, the missile is stored in a launch tube and thus has munition characteristics.

Weapon Systems.

PARS 3MR is to be deployable from the ground and from a vehicle. The portable system--to be transported or stored in two loads--consists of the sight and guide-beam projector, a ramp, an aiming unit and a tripod.

To be used mounted on a vehicle, the tripod is removed and the weapon system is easily attached to a special vehicle adapter mount. The adapter has the same interfaces as the tripod.

If the weapon system is to be protected by armor, the sight and guide-beam instruments are integrated into a compact turret.

One objective of this project is to make the system as small and light-weight as possible as well as simple to operate. For this purpose the weapon system has many easily replaceable components which can be connected by snap fasteners and simple screw couplings.

The Portable Weapon System

The portable weapon system consists of several components, some of which are used in other system configurations also.

--The Guide-Beam Projector

The missile is guided by an optical guide-beam. This guide-beam causes a spatial, optical modulation in the direction of the desired flight path of the missile, which is received by the receiver inside the missile. The guide-beam projector is integrated in a housing together with the optical sight.

One guide-beam guidance system has been studied to date; at present, two additional systems are being studied by the infrared expert firms of the two consortiums (SAT, Eltro, Bae and TRT, Zeiss, GEC Avioniks).

--Sighting Instruments

The operator uses the optical sight to establish a reference point for the target. In poor visibility an infrared picture instrument is used in addition, which is mounted on the weapon system. The infrared picture is then reflected into the optical sight.

--The Ramp

The ramp serves for loading the munition and for launching the missile. For this purpose it contains a device for guiding and locking the munition tube, an ignition generator and a precise mechanical interface to ensure the coordination of the munition and sight axes. The ramp is so constructed that when incorporated in a vehicle it permits carrying the munition during the entire mission.

--The Aiming Unit

For the aiming unit, manual controls were chosen for traversing and servo-mechanism for elevation, both optimized for minimal background noise. The aiming unit is suitable also for tracking aerial targets.

--Tripod

A tripod is provided for secure and stable installation of the weapon system in the field. Current development includes a height-adjustable tripod and a smaller tripod which permits mounting on walls and other surfaces.

Integrated Weapon System

In the turret version the sight and guide-beam instruments are mounted externally. The operator uses a periscope for optical communication with the unit. The instrument panel for the weapon system is located below the periscope within reach of the operator. The compact turret has four launchers which are arranged symmetrically to the sighting devices and the guide-beam projector. The turret is protected against shrapnel and small arms fire by armor plates. Vertical and lateral operation of the turret is produced by digitally operated electric motors. Sighting and guidance instruments can very quickly be installed and removed from the turret, which facilitates the alternate use of these instruments in the portable and integrated weapon system configuration.

Loading of the launchers as well as tank and NBC protection form a part of the ongoing studies.

Only Small Numbers for the German Army?

Contrary to the situation for the PARS 3LR, which is to become available to the German Army in large numbers aboard the tank destroyer/anti-helicopter combat vehicle and the PAH-2 antitank helicopter, current plans for the PARS 3MR call for it to be used purely as an infantry weapon and in limited numbers in special units. For antitank combat at maximum ranges of 2,000 meters, the German Army has decided in favor of the "fire-and-forget" 120mm gun aboard the armored antitank vehicle. Nevertheless, consideration should be given to introduce larger numbers of the PARS 3MR as an effective and flexibly deployable antitank weapon.

9273/9274

CSO: 3620/141

MILITARY

FRANCE

QUILES BACKS CONVENTIONAL FORCES ON FRG VISIT

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 21 Nov 85 p 7

[Text] Pforzheim, 20 November--Following the emphasis on the nuclear force in the budget debate, French Defense Minister Quiles has now stressed the importance of the conventional army, the "corps de bataille," during a visit to the French forces in Germany. The First French Army, of which the Second Corps stationed in Germany is a part, is a central part of the French deterrence concept and demonstrates the "solidarity with our German friends," with whom there is close diplomatic and military cooperation, he said. Both states have "common security interests." Every threat in Europe, especially against the FRG, deeply affects France's security. The minister promised vigorous modernization efforts in the conventional field, especially new tanks.

Minister Quiles, accompanied by General Schmitt, chief of staff of the French army, and General Llamby, the commander of the First Army in Strasbourg, had come to Germany to inform himself on the Second French Army Corps and its operational planning and to observe a command post exercise of this corps. He made use of the opportunity to address the assembled officer corps to counter the impression which was formulated with increasing clarity in the debates on the criticism of General Arnold that by the nuclear armament France neglects the conventional missions and cultivates only the "rapid intervention force" for overseas operations.

Quiles gave the assurance that France makes considerable efforts to modernize the conventional armed forces, especially the army. Thus combat reconnaissance is being improved with the "Elodee" position-finding system and the CL 289 reconnaissance drone developed jointly with Germany and Canada. The modern radio system "Rita"--the Americans have also decided in favor of it--strengthens the interoperability of the allied armed forces.

Without directly mentioning the criticism by General Arnold on the obsolescence of the French tank weapon, Quiles dealt with this aspect in detail. France, he said, attributes great importance to the battle tank of the future. Thus far the sum of 1.5 billion francs has already been spent for studies and development and the 1986 budget adds another 500 million. The tank will be operational at the beginning of the 90's. The First Army has already received one quarter of the intermediate solution, the modernized version of the AMX-30 B2. This modernization according to plan will be completed in the early 90's. Quiles pointed

out that the present armament plan (of the socialist government) provides for more battle tanks than the preceding one.

Strengthening of the artillery is essential, too: "They are now receiving the rapid fire 155-mm gun of which everybody knows that its performance is one of the best in the world." Progress is being made with the "Attila" automated fire control system. The MLRS rocket launcher, which the Americans, Germans, British and Italians are also receiving, will considerably increase the fire-power. Only by simultaneous and coordinated employment of tanks, helicopters, antitank rockets and artillery will it be possible to stop the advance of enemy armored divisions in the future. Here every war in Europe will be an air-ground war (aeroterrestre); employment of the First Army or of the Rapid Intervention Force without precise cooperation with the air force is unthinkable.

The efforts with which this maximum effectiveness is made possible to the army, the "corps de bataille," are justified. Only the "corps de bataille" has the heavy weapons and the striking power to face a heavily armed enemy: "The First Army to which the responsibility is assigned to fulfill France's obligations plays a principal role in our concept of deterrence (dissuasion)."

Quiles rejected the idea that the FAR Rapid Intervention Force is being neglected. The FAR will be employed overseas or in Europe. In case of employment in Europe, First Army and FAR complement one another. "The FAR can intervene in support of the First Army or independent of it. It can be employed at the flanks of the First Army, in front of it or behind it, can be subordinated to its command or be commanded independently." Creation of the FAR does not change the mission of the First Army in the least. What is more, it complements its action in the interest of Europe's security: for one thing by providing the allies, especially the FRG, security by the fact that France is ready to participate in the common defense from the start of a conflict. France has now the means, with big antitank capacity, which can be employed very rapidly and far away from the bases, to reinforce the actions of the armed forces of the alliance.

On the other hand, it makes it clear to the enemy that the probability is greater that he will be confronted with armed forces of a country which possesses strategic and tactical nuclear weapons. This increases the deterrence. Quiles emphasized, that the FAR will participate in the coming years in war games and then in full maneuvers in the FRG.

12356

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MILITARY

GREECE

TURKISH WEAPONS LIST AROUSES CONCERN

Athens ENA in Greek 24 Oct 85 p 10

/Text/ Turkey has embarked on a gigantic rearmament program by taking advantage of the role of gendarme of southwest Asia, a role assigned it by the West. In reality, however, Ankara is promoting its expansionist plans in the Aegean. This becomes evident from the "priorities" of its rearmament program but also in the kinds of military maneuvers that it carries out --within the context of NATO-- with great persistence and frequency.

All of a sudden it becomes known that Ankara is insisting that landing operations be made part of all NATO maneuvers, without, of course, the Alliance ever having assigned Turkey's navy the responsibility for seizing the Soviet Union with naval landings. Equally revealing is Ankara's insistence in supplying its army with weapons that have been tested and that have been proven effective in "high intensity wars." A third and very disturbing factor is that the Turkish rearmament effort has assumed an "urgent character" as revealed from its mass purchases of even older materiel, for example F-104 aircraft, that, of course, can with difficulty be considered as being militarily competitive in the event of an East-West clash. Ankara's tendencies and, of course, its ultimate plans are revealed from a careful study conducted by ENA on the makeup of Turkish military orders over the past 5 years and more specifically in the last 2 years.

- March 1985. An order from the United States amounting to 88 million dollars for the purchase of aircraft spare parts, namely for C-130 H, F-4 E (Phantom), F/RF-5A, E-1 D0, C/D/F, RF-104 G, T-33, T-37 and T-38 aircraft.

- March 1985. In principle, an agreement for the sale by Canada of 20 used CF-104 aircraft, beginning in 1986. Besides these, another 35 would be sold for disassembly and used as spare parts. This latter procedure is called "cannibalization."

- February 1985. Delivery of 12 used F-5 aircraft purchased from Norway.

- During the last 3 months, negotiations with Egypt have resumed for the purchase of 35 F-4 aircraft whose sale had been cancelled following Karamanlis' visit. In the meantime, talks with Spain on the purchase of 30 Phantoms (F-4) aircraft have not yielded any results since the fall of 1984.

- In February 1983, 50 (of a total of 170) F-104 aircraft that Germany will sell to Turkey were delivered for a price of 56 million dollars.

Submarine Fleet

- In August 1985, the purchase of 18 used naval aircraft, S-ZE Tracker type, became known. The latter will be refurbished by Grumman aircraft, some of which will be used as spare parts. They will make up a squadron of anti-submarine aircraft.

- 21 December 1984. According to the Turkish newspaper NEW SPOT, the fifth missile-carrying vessel "Rusgar" was launched at the Taskizak shipyard in Istanbul.

- September 1984. A new type of landing craft of Turkish design and construction, called C-340, was launched.

- 25 July 1985. A big patrol vessel, SAR-33 type, was launched at the Taskizak shipyard. It is 57 meters in length and has a capacity of 600 tons. It has a speed of 13 knots and can carry a fully-equipped company. Three similar vessels had already been built in 1984 and another three will be built by January. Overall, Turkey will build 20 such vessels, while 14 have been ordered by Libya.

- The same shipyard also builds petroleum tankers that are 65 meters in length, 9.5 meters in width and have a speed of 12 knots.

- October 1984. An agreement amounting to 30.8 million dollars was signed for the purchase of technology and equipment from the General Defense Corporation. Thus, the Turkish MKC plant will manufacture 105 mm shells, FD-105 type (an altogether up-to-date advanced technology type).

Vessels

- January 1985. The submarine "Doganay," type 209, was launched at the Golcuk shipyard. At present, Turkey has five, three of which were built in Germany and one, the "Gildiray," was built in Turkey last year. All told, 12 such submarines have been planned and scheduled at a rate of one a year.

- January 1985. Beginning of construction on a second MEKO 200 frigate at the Kieslu shipyard. Delivery is scheduled for 1988. The first frigate has already been delivered. In the meantime, construction has begun on two more similar frigates in Turkey, one of which will be delivered in 1987. Construction on the second began in January 1985.

- February 1985. Purchase from Great Britain of four AB-212 anti-submarine warfare helicopter landing systems for the MEKO 200 vessels.

- May 1984. Fifty American MK-48 torpedos, the latest model, to be used against submarines and surface vessels. They have a speed of 55 nautical miles.

- June 1984. Purchase of 1,500 magneto-acoustical mines from Italy, suitable for mining by air.

- 1983. Two used frigates were delivered by Germany within the framework of defense assistance, the "Karlsruhe" and "Emden." They were renamed "Gazi Osman Pasa" and "Camik-E."

- October 1983. Seven torpedo boats, Zobel type, of the German Navy, were delivered.

MILITARY

GREECE

BRIEF

CHEAP SHELLS FOR IRAQ--I will now tell you a story that is almost unbelievable but I think that it will not be denied. So, I have learned that the much discussed PYRKAL is undertaking to manufacture a significant number of shells for Iraq. You will say, Bravo! But listen to the end of the story: if my information is correct Iraq will pay 90 dollars for each such shell, while the Greek armed forces are paying 110 dollars each! So, one of two things is happening: either PYRKAL is making gifts to Iraq or else "it is robbing" the Greek state. Now, if I were to add that the agreement (?) provides that Iraq will pay for the shells 2 years after their being received and indeed interest-free, then I must confess that I do not understand what kind of agreements they are. Unless, of course, some Greek bank were to be found that would make a loan (interest-free) to PYRKAL, i.e. to give a foreign country a loan interest free. To set the record straight, I note that Iraq sells us petroleum for cash. And now to finish up with this story: I hope that if in the long run such an (colonial?) agreement does go through, it will not be necessary for us to give a tip also! The reason is the notorious 2 percent on exports that a company can pay, without receipts, to some "middlemen" who close the deals. Imagine, therefore, that PYRKAL may pay middlemen for such a ...success. And so that you may understand what I mean, I note that 2 percent on this specific project comes out to 1.6 million dollars! /Text/ /Athens TO VIMA in Greek 10 Nov 85 p 48/ 5671

CSO: 3521/45

MILITARY

NETHERLANDS

TWO NAVAL SUPPLY SHIPS SOLD TO IRAN

The Hague ANP NEWS BULLETIN in English 23 Oct 85 p 2

[Text]

The Hague/Tehran, October 23 - Iran's revolutionary guards have commissioned into their fledgling navy two support ships from the Dutch shipyard K. Damen, southeast of Rotterdam, shipyard director Kommer Damen confirmed last night.

The Iranian newspaper Abrar said yesterday the two ships, a 22-metre tug and an eight-tank water tanker had arrived at the southern Gulf port of Bandar Abbas near the Strait of Hormuz.

Damen said the support ships were two of a series of six. The remaining vessels would leave for Iran in mid-November, he said. Negotiations were underway for an order of two more tankers, he added.

Abrar said the ships could carry tanks, personnel carriers, automobiles and could 'support amphibious operations anywhere in the Persian Gulf and the Gulf of Oman'.

'Civil Material'

The revolutionary guards were ordered by Iranian spiritual leader Ayatollah Ruhollah Khomeini last month to strengthen their air, ground and naval units.

Damen said his shipyard did not need the customary permit governing the export of strategic goods for its transaction with the foreign army as the order comprised only 'civil material without arms'.

Over the last few months the Iranian navy has repeatedly entered foreign ships suspected of transporting materials to Iraq which could be used in its war against Iran.

On September 6, the revolutionary guards said their naval units had seized two vessels on charges of spying for Iraq. Diplomats said they were probably Arab dhows.

/12851
CSO: 3600/14

MILITARY

NORWAY

BUDGET GROWTH TO ALLOW ARMY TO IMPLEMENT DESIRED PROJECTS

Oslo AFTENPOSTEN in Norwegian 14 Nov 85 p 10

[Article by Liv Hegna]

[Text] Rationalization of the operation. Introduction of EDP in the personnel administration. Modernization of the brigades. More days in the field for the soldiers. The inspector-general of the Army, Major-General Olav Breidlid, says in an interview with AFTENPOSTEN that he sees many bright spots in next year's budget. "I am especially happy that the Army will be allowed to keep a large number of days of military service, and that we shall expand the field maneuvers. This increases the combat capability of the mobilization forces. Demands for rationalization compel us to use the civilian school system," says Olav Breidlid.

First of all, it is recommended that the Engineering College of the Armed Forces be closed down. In connection with the transition to the new military arrangement, the leadership has decided to make use of the civilian school system, wherever possible. "May it become topical to transfer the military academy education to the universities and there provide courses for officers on military subjects?"

"No, at the military academy level, the main emphasis is on military subjects. Civilian subjects are only minor subjects in this education, contrary to the engineering education, which mainly consists of technical subjects," says Olav Breidlid, adding that the Army Staff has not found it possible to allow local resistance to closing down the Engineering Academy of the Army to carry any greater weight than the overall evaluation undertaken centrally by the Army Staff.

The new military arrangement also involves a reduction of personnel on the long view. So far, the Army has been ordered to leave 180 positions vacant. "The Army wants to increase the quotas for the military academies. But we also want to improve ourselves and make the personnel administration more efficient. We, therefore, want to set up an EDP office for the Army Staff alone as of the New Year. The Army Staff is entirely aware of the fact that introduction of

the new military arrangement entails certain problems. There are not always applicants for all positions, at the same time as we, today, have to handle all applications manually. Introduction of EDP will make this job easier for the Army," says Major-General Olav Breidlid, adding that the Army Staff is in the process of evaluating the entire organization at the top level in order to ascertain whether it will be possible to make it more streamlined.

More Field Maneuvers for Soldiers

"One of the most gratifying aspects of the budget for 1986 is that we shall have the same number of military service days in 1986 as in 1985. That means that we shall be able to fill the divisions. The artillery battery at Åsegarden that had been closed down will reappear at Setermoen, and there will be a tank unit in the garrison at Porsanger. This is possible because we shall be given 20 additional officers," says Olav Breidlid.

"The soldiers will have more field maneuvers than previously?"

"I hope that the low number of days in the field of 28 days in 1984 is a past stage. We are now on our way upwards and hope that it will be possible to carry through maneuvers of 35 days in the field," says the inspector-general. In order for Norwegian soldiers to be able to face the challenges of real war, 60 days in the field are desirable, but that is far beyond all realistic possibilities. Practical reasons taken into consideration, the general finds that 45 days are the optimum. This alone will cost around 20 million kroner.

"Is it not difficult to comprehend that free leave trips are given priority by parliament?"

"Being able to spend some time at home off and on reinforces the morale of the soldiers. We probably get it back in the form of enthusiasm about their military service. We keep constantly busy making the military service more efficient. Better programs, better educational facilities, better officers for instruction, better developed artillery ranges. Everything works in the same direction," says Olav Breidlid.

New Brigade Structure

One of the major tasks facing the Army is modernization of brigades for the so-called Brig 90-structure. Brig N is given priority, despite the fact that this very brigade trains soldiers for the mobilization army. During review maneuvers and war, they will have to get used to a different organization and older materiel. Is this such a clever idea?

"It is true that it will be a question of older materiel and a somewhat different organization in the brigades in general in contrast to the one existing in North Norway. That is the case within all armies. But we have to keep in mind that Brig N will have to train both officers and soldiers. The reviews will ensure that they catch up when they get into other divisions. The leadership of the Army gives priority to maintenance of wartime organization, i.e. all 13 brigades, rather than closing down some to modernize a larger number than the one we are now planning," says the inspector-general of the Army, Major-General Olav Breidlid.

MILITARY

NORWAY

FORCES ASSURED CONTINUED 3.5 PERCENT REAL GROWTH IN BUDGET

Oslo AFTENPOSTEN in Norwegian 14 Nov 85 p 10

[Article by Einar Solvoll]

[Text] The government will get its proposed grants for next year's defense program through parliament practically without any cuts. The nonsocialist majority backs the proposal. The government proposes a 3.5 percent real growth rate, while the Labor Party adheres to the party's earlier position that a 3 percent growth rate ought to be sufficient. The difference between these two standpoints is 75 million kroner, which will be opposed by the Labor Party.

The Norwegian parliament will discuss the defense budget for next year on Thursday of next week. The only change that will be made in the government's proposal is that the Norwegian parliament will have to support a postponement of the decision whether the Engineering College of the Armed Forces at Ringerike will have to be closed down.

The government finds that the time has come to close down the school in question, proposing that 1985 become the last year for admitting new students. The reason for this is that the government finds that the engineering college today trains more engineers than needed for both peace and mobilization purposes.

The defense committee of the Norwegian parliament, however, finds that special importance should be attached to finding out whether there is any possibility of a future mutual military and civilian operation of the school. That is why they have chosen to remove this item from the budgetary discussions and instead consider it at a later point of time.

Whereas the Labor Party proposes a reduction of the defense budget by 75 million kroner, the Progressive Party proposes a number of increases totalling 664 million kroner. But the party will alternatively vote for the government's proposal of a real growth rate in the defense budget next year of 3.5 percent. The Labor Party points out that a real growth rate of 3 percent is in

in accordance with the total targets advocated by the NATO countries unanimously.

The Progressive Party proposes, among other things, that funds be granted for a pilot project involving a new frigate with reference to the fact that before long our frigates will be 10 years above the normal duration of life of frigates. The party, moreover, repeats its previous proposal that Norway ought to withdraw our UN forces from Southern Lebanon.

7262

CSO: 3639/39

MILITARY

SWEDEN

ARMORED ANTIAIR COMPANY NOW SUPPLIED WITH ROBOT SYSTEM 70

Stockholm ARMENYTT in Swedish No 5, 1985 p 19

[Article by Maj Carl Ehnбом]

[Text] Beginning in 1985, the army's armored brigades and the mechanized armored antiaircraft company will be equipped with Robot System 70. Tests using this company were conducted at Lv 4 in Ystad during the 1984/85 training year. Beginning in 1985/86, training will be conducted at both Lv 4 in Ystad and Lv 3 in Norrtalje.

The main component of the company is the armored antiaircraft missile group with the 701 antiaircraft vehicle. Nine groups, divided into three antiaircraft platoons, are included in the company. The vehicle is a rebuilt 103 armed infantry vehicle. Only the floor plate with tracks and the final drive of the original vehicle remain. The other parts are new. The engine and the gear box are the same as those used on the tracked vehicle 206. The conversion was made by Hagglunds & Soner of Ornskoldsvik.

The Robot System 70 in the vehicle is the same system that is used by our anti-aircraft battalions and our brigade antiaircraft companies. The missile (six missiles can be transported in the vehicle) has a somewhat better guidance system than previous versions.

The command post is a PS 701, a radar station of the pulse-Doppler type, which is a further development of the PS 70 radar station. Two radar stations are included in the tactical control platoon of the armored antiaircraft company.

The PS 701 has a range of 40 km and can distinguish between stationary and moving targets. In order to detect still (hovering) helicopters, the PS 701 has a helicopter mode that "sees" the movement of the rotor. Still, it has geometric sight, i.e. the radar station cannot see through mountains or dense vegetation or look down into a valley.

Combat

In order to combat helicopters and fighter-bombers that are attacking, the armored antiaircraft vehicle must be within about 1,000 meters of the object

it is protecting--tanks and armored vehicles. This requires tight grouping as the armored battalion moves. The vehicle must be still during combat.

In order to find out exact information on where the plane or helicopter is located, information is collected from the reconnaissance radar, which operates the entire time. For this reason, the antiaircraft missile vehicle is equipped with a navigational system, the Navyx produced by Crouzey, which indicates the coordinates and compass direction of the vehicle. Navigational equipment for vehicles was presented previously in ARMENYTT 6/84.

The armored antiaircraft group consists of 10 men, four of whom are in the vehicle at the same time. The need for long-term performance in combat is met by periodically changing the crew.

Combat Missions And Coordination

In addition to supporting armored units, the armored antiaircraft company and armored antiaircraft platoons can conduct the same combat missions as other antiaircraft units, i.e. combat aircraft and air landings and protect objectives such as bridges. Direct coordination generally occurs between the armored antiaircraft platoon chief and the armored battalion chief before battle, but can also occur by radio.

The platoon chief rides in an 1112 radio-equipped all-terrain vehicle, with the armored battalion chief, or with the battalion chief's second in command in an armored command vehicle.

Combat Outside Vehicle

The equipment in the vehicle can be dismounted and reassembled outside the vehicle. In this case, the armored antiaircraft group acts in the same manner as a Robot 70 antiaircraft troop, but without 20-mm automatic guns. The reassembly takes about 10 minutes and is used mainly when the armored antiaircraft vehicle has broken down or when the company does not want to reveal its presence by allowing the vehicle to be seen.

Spare Parts

The company has its own staff and supply troops for command and maintenance purposes.

In addition to food and cooking supplies, the supply section also has an ammunition and fuel group and a repair group that is capable of repairing both the vehicle and the Robot 70 system.

9336

CSO: 3650/59

MILITARY

SWEDEN

NEW ANTITANK HELICOPTER UNIT GETTING BO-105

Stockholm ARMENYTT in Swedish No 5, 1985 p 10-11

[Article by Maj Peter Kalloff]

[Text] Beginning 2 years from now, a new weapons system will be introduced in the army--the antitank helicopter. The new antitank helicopter company will have great mobility and fire power, sharp precision, and a high level of preparedness.

Fiction

An antitank helicopter company is supporting a brigade and has prepared three alternatives that can be initiated on short notice.

At the brigade staff:

Officer in charge of operations:

"Chief, the enemy has crossed the river farther north! The second battalion reports both combat vehicles and tracked artillery."

"Signaller, to antitank helicopters, the Shrimp!"

The officer in charge of operations takes one more quick look at the intelligence officer's map before he adds, "There is little time . . . precious little!"

At the T-base

"Number one, contact!"

"Number two, contact!" The turbines start to hum. Thumbs up. The assistant mechanic hardly has time to answer the pilot's clear signal before the observation helicopter lifts off and starts out over the forest.

In the air

The green and white spotted helicopter rushes low and obediently over the wintry forest. It approaches the rendezvous at almost 200 km per hour.

"AZ and BZ, follow me," the brief command comes over the radio.

The pink light of the sky on this bitterly cold winter morning is reflected on on of the four helicopters as it nimbly ducks under the large 200-kW power line. To the right, two helicopters are moving forward along the frozen river bed. Powdery snow is swirling around the one in back, which is flying extremely low. It is minus 22°C.

"I see them!" "We are there!" The chief of the second battalion looks relieved when he hears the voice of the helicopter company chief on the radio. "Lindgren, tell the helicopters that there is at least one antiaircraft vehicle at the bridge."

"Tanks by the yellow house. BZ attack!"

"The bridge by the silo, antiaircraft vehicles, AZ attack!"

Two short commands.

Three balls of fire, then two more farther down toward the river, touch the treetops in the fir forest for a second. Hissing, at first a bit shakey, then straight and true, five missiles rush toward the tanks in the distance. Yellow flashes, followed immediately by black clouds, indicate hits in the tanks' armor.

The army's newest and most highly mobile unit has worked with other units to carry out a carefully prepared combat mission.

Facts About Antitank Helicopter Company

In principle, the company is organized as an army aircraft company. It will be a part of the army's air battalions. It will include a force of about 180 men.

The unit is equipped with the new, West German BO-105 helicopter, which the army calls the Hkp 9. The helicopter is armed with four TOW missiles (missile 55).

Two air platoons of four helicopters each carry out the combat missions. They are led by two observation helicopters.

The company is deployed at temporary bases (T-bases) and is supported by advanced maintenance sites. The latter are equipped with fuel and missiles and are deployed at such advanced positions that a brigade can continually support the company. In addition, other brigades can count on rapid support by this same company. The flight time for moving 100 km is 30 minutes!

The company truly comes into its own when the personnel are highly familiar with the terrain. This offers the following advantages:

Concealed approach at extremely low altitude;

Firing positions at the enemy's flank and back;

Long firing range, preferably greater than 3,000 meters;

Assault techniques.

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MILITARY

SWEDEN

AT 4 LIGHT ANTITANK GRENADE LAUNCHER PLANNED FOR 1990

Stockholm ARMENYTT in Swedish No 5, 1985 pp 16-17

[Article by Lt Col Stig Schyldt and Maj Jan-Erik Tornqvist]

[Text] The increased threat from tanks over a broad front and a great depth requires some form of antitank weapon that can be available in large numbers. Our present antitank grenade launcher, the m/68 or Miniman, is now available for this purpose. In order to increase our capacity additionally, the army will procure a new light antitank grenade launcher during the late eighties.

Since World War II the number of armored vehicles has increased constantly in most armies. These combat vehicles can operate over a broad front and at a great depth.

As a result, all of our units may enter into combat against armored vehicles of the attacker. This applies even to units whose main task is something other than combat. The antitank grenade launcher is a weapon that is needed in large numbers to solve this problem. At present, the m/68 antitank grenade launcher is a part of our arsenal, but the older m/46 antitank grenade launcher is also used. Surface battles, the increased number of tanks, and the need for a greater range make it necessary to complement our present launcher with a new light antitank grenade launcher.

As a result, a weapon of this type will be procured and used in our most modern battalions, including commando battalions, the IB 77 and IB 66 rifle battalions, Norrland rifle battalions, armored and mechanized battalions, and independent rifle battalions. This will free up a large number of m/68 launchers, which then can be used by other types of units, including the home guard.

Alternative Systems

In 1981 the army chief commissioned the Defense Materiel Command to procure an existing weapons system that met certain requirements. According to these requirements, the accuracy and effect must be similar to that of the m/48 antitank rifle. After a thorough study, the following alternatives were tested:

AT 4	Developed by FFV (National Defense Manufacturer) of Sweden
Panzerfaust-3	Developed by Dynamit Nobel of West Germany
Viper	Developed by General Dynamics of the United States
M 72 LAW	Further developed by Raufoss of Norway and others.

One common feature of these systems was that part of the development work remained to be done. All these weapons systems were tested in 1982/83 and 1983/84. The Viper project was discontinued during the test period.

After these tests, the AT 4 and M 72 LAW were selected for comparative tests by troops in 1984/85. Bids for large-scale procurement were solicited during the summer of 1985. Bids also have come in for the West German Armburst system.

The tests were conducted by troops at the Infantry Combat School. Technical tests were conducted by the Defense Materiel Command. Other technical tests were conducted by the Defense Research Institute (FOA). The tests, most of which have now been concluded, showed that both alternatives met most of the demands for usefulness and durability.

As a result, performance differences will be an important factor in choosing one alternative or the other.

Future Activity

Work has begun to evaluate the technical and economic data and the test results. The purpose of this is to recommend one of the alternatives for procurement and to organize the data so that the government may make a decision.

Assuming that the approval of the government is obtained, a system will be ordered early in the spring of 1986. A total of about 250 million kronor has been set aside for the army to purchase a system. This sum also includes training material. The air force will also purchase the system at the same time.

A training weapon will also be purchased. It can be used both for basic arms training and in field exercises. In this connection, the possibility of measuring noise and the danger zone behind the weapon (same as for the weapon with live ammunition) has been given a high priority.

While the test data is being processed, additional tests will be conducted with the primary purpose of developing a good training package and putting the final touches on all training aids.

Training of inductees should begin during the 1987/88 training year. Because the system is so simple, it could be introduced in training sessions during combat unit exercises.

ECONOMIC

DENMARK

EXPORTS RECEIVE NEEDED BOOST FOR 1986

Stetter Outlines Support Plan

Copenhagen BERLINGSKE TIDENDE in Danish 6 Nov 85 Sec III p 32

[Article by Hans Jorgen Poulsen: "Export Cure"]

[Text] A number of initiatives by the minister of industrial affairs and better coordination of the efforts of various ministries will give Danish exports a shot in the arm at a time when Denmark is losing foreign market shares to competitors in spite of enormous growth in industrial investments in this country.

Explanations are no longer enough. Actions are needed. The Danish export branch is facing the prospect that 1985 could be the year when Denmark actually loses market shares to competitors in foreign markets. The government, to use its own words, views this development as no less than alarming. It is true that employment and investments have risen substantially, interest rates have declined sharply and the inflation rate has moderated. But it is obviously the domestic market and not exports that firms are primarily banking on.

Industrial Affairs Minister Ib Stetter (Conservative) saw the handwriting on the wall in the industrial policy report he presented to Folketing yesterday. In it the minister used words like striking, offensive, intensive and forceful to sell a number of moves intended to bring exports out of the doldrums.

A special effort must be made, he said, to remove the barriers that stand in the way of expanding exports. The government wants to devote 100 million kroner to this end.

Small and Medium-Sized Firms to Get Help

A number of concrete new initiatives are intended to bring up the export curve. The government has promised to make an extra effort for small and medium-sized firms that would like to move into the export market but lack

the background and/or the means to gain a foothold. The costs can be substantial and the risk is great.

As something new in the export-promotion area efforts will be made to establish projects for new exporters, products and neglected markets that are aimed at developing markets.

These are some of the concrete proposals:

The Export Promotion Council could work with groups of businesses to conclude contracts for market development.

Half the costs of specific projects could be subsidized.

The subsidies would be repaid if the stated export goals are realized.

When contracts are signed they will be examined to see if new products, new exporters and new markets are involved.

Insured Against Disaster

The Export Credit Council will introduce a new market and project guarantee arrangement. Firms will be able to insure themselves against the risk that the costs of marketing products on promising but perhaps untraditional markets might be lost, for example. This might occur because of unforeseen events in especially risky markets.

Training Young People in the Export Field

Without increasing premiums, the two rapid guarantee systems (the H and M [expansions unknown] systems) will be increased from 0.3 to 0.5 million and from 1.5 to 2 million kroner respectively.

With the aim of helping new and smaller firms to get better advice and information about export matters the system of export fellowships and export consultants will be expanded.

In more remote growth markets such as China and Japan the foreign service will be expanded in order to improve assistance to Danish exporters.

Young people who are being trained in the export field should be sent to areas where there seem to be good opportunities for increasing Danish exports. This can be done by sending more consular secretaries to embassies and consulates or by placing young people who are being educated in the export field with big businesses.

And finally the government took a look at its own shortcomings when it promised that an effort would now be made to improve coordination of the efforts made by the ministries involved in the area of export promotion.

Total Cost of 200 Million Kroner

The new initiatives will cost 200 million kroner. The government will put up 100 million kroner if the business sector comes up with a similar amount. The aim is to increase joint financing for the export services provided by the Foreign Ministry. In other areas firms will pay for similar services on a uniform payment basis.

According to the report the Export Promotion Council will make sure that its support benefits new markets, products and exporters as much as possible. Special emphasis will be placed on firms whose products are suitable for export but whose size makes it difficult to build up export activity.

Investments Up a Third

The unsatisfactory results in export markets are pointed up by the fact that it has now become generally attractive to make active investments. According to Ib Stetter's report industrial investments rose from 7.1 billion kroner in 1983 to 9.5 billion in 1984. This corresponds to an increase of one-third. Industry itself expects a similar increase in 1985. But industrial exports are not following suit. In the first three quarters of 1985 Danish industrial exports rose by only 7 percent in current prices and only "slightly" in terms of volume.

The report from the industrial affairs minister deplores the fact that Danish industry is weak in most of the high-technology branches. This may be because not enough money goes into research.

It is regarded as vital for industry to prepare to make use of breakthroughs in all areas of technology. Biotechnology is specifically stressed with special reference to gene splicing as an area where Danish industry could make its mark on an international level. The prospects for a special biotechnology development program have been discussed by the Industrial Policy Contact Committee and the government will take the matter up later.

But there are other more concrete problems that must be dealt with: a reform of the stock exchange, a solution to the often cited bottleneck problem in connection with certain types of workers, an adjustment of the monopoly law, shipyard policy and steel policy.

All in all, in Stetter's own words, this is an "offensive line" which the government claims it is ready to discuss with Folketing in an unbiased way.

Simonsen Explains Subsidy Application

Copenhagen BERLINGSKE TIDENDE in Danish 13 Nov 85 Sec III p 1

[Article by Hans Jorgen Poulsen and Henrik Damm: "Finance Minister Fears Lower Export Growth Next Year"]

[Text] September figures for Danish exports were good but there is nothing to indicate at this time that there will be a massive increase in exports next year. The government's plan to provide 100 million kroner in extra funds to promote exports in 1986 should be seen as the result of an increased need for "aid to industrial self-help," especially for small and medium-sized firms. The increased funds will not strain the current spending budget but will come from a rearrangement of priorities.

With the latest Danish export figures for September in hand, Finance Minister Palle Simonsen (Conservative) is not dissatisfied with developments, but these figures are not enough. The finance minister is afraid that expectations for export increases next year are too high. In any case there is no basis at this time for believing that these expectations will be met, according to the finance minister.

"This is a very good export figure (from September, Ed.) and if this trend continues we are in a better groove, but there are some uncertainties involved in this. If we look at the general information available to us we must admit that there is no immediate prospect of the growth we had predicted. But at the same time we must be careful not to jump too quickly to the conclusion that things will get worse in the export sector," said Palle Simonsen who now wants to invest an extra 100 million kroner from the total 1986 budget in an effort to promote more exports.

Thus it looks as if the talks business organizations had with the government at the Marienborg meetings in late summer were one of the reasons why the government agreed last week to change the announced cut of 14 million kroner in 1986 in export promotion funds to an entirely new extra appropriation of 100 million kroner, of which 75 million kroner represent "new money," as Finance Minister Palle Simonsen put it. The remaining 25 million kroner must be provided from the Industrial Affairs Ministry's budget.

"There is always room to come up with that amount of money out of a total budget of 185 billion kroner," said the finance minister.

Trade Balance Still Unsatisfactory

The trade balance situation is still so unsatisfactory that the government found it necessary to give exporting business firms a shot in the arm. Not just as a state-financed gift but for most firms as a self-help subsidy for businesses that want to invest in new export markets.

"We estimate that about half the money will be used for so-called market contracts in which firms will repay the 'loans' we have given them as the new markets start to pay off. This is an entirely new system for Danish export policy. We expect it will be able to finance itself within the next 2 or 3 years," said Finance Minister Palle Simonsen (Conservative).

With these words he left open the possibility that this is not the last time the government will put millions into a massive effort to increase Danish exports, a vital factor in turning around the 22-year trade balance deficit. Palle Simonsen stressed that this is not just an ordinary subsidy for established exporters, "it is more of a shot in the arm for small and medium-sized firms that have less of a tradition of entering export markets."

Communication Poor

One of the central points in the increased emphasis on Danish exports, the finance minister said, is to establish a better system of communication between trade delegations and Danish firms.

"We must make a much greater effort to provide firms with information."

We pointed out that there is another information problem. The industrial policy report notes that communications between individual ministries could be considerably improved.

"There is a need for more coordination, whether it is coordination as such or cooperation with business organizations to improve this area," said the minister who rejected the idea of an interministerial forum in this context.

Self-Help Assistance

The finance minister put a lot of emphasis on the fact that the new appropriation will be used as a self-help subsidy for firms that are not used to exporting or firms that want to enter new export markets.

This involves an innovation for Danish export industries, a form of loan going up as far as 50 percent, giving firms an economic boost so they can enter entirely new markets--especially in the East, where introducing new products takes a long time.

Will the 100 million kroner be an annually recurring amount?

"If we take the new market development budget, which is a very big factor in this budget, a single year will not be enough. But after 3 years it will start to pay for itself, so that there will be funds for new projects. The remainder of the budget will depend on the results that are achieved."

6578

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ECONOMIC

FRANCE

GOVERNMENT HAS NO EXPORT POLICY

Paris LE FIGARO in French 26-27 Oct 85 p 19

[Article by Albert Vergne]

[Text] Ever since the post of secretary of state and then minister of foreign trade was created in 1974, the successive holders of the position have constantly announced and described the export policy they intended to apply. Depending on the circumstances and their own affinities, a given minister would emphasize big contracts, the promotion of consumer goods, the defense of French positions in GATT negotiations, winning back the domestic market or the development of international commercial firms. But what is the reality behind the notion of an export policy? Does the latter truly play a driving role in improving our foreign trade?

The substance of a government policy, whatever it may be, is measured by the amount of credits allocated to the budgets. It is first of all in terms of the funds available to him that a minister can exert influence on the course of events.

Foreign trade credits, as they appear in the budget passed by Parliament, are divided into three major masses corresponding to the three types of traditional action aiding exports.

The first, on the order of 17 to 18 billion francs, depending on the year, corresponds to aid to big contracts (export discount credits, insurance-credit, guarantees against exchange risk and price increases, and so on). The second, totaling some 1 billion, covers incentives to regular trade (insurance-prospecting, insurance-fair, French Foreign Trade Center, and so on). The third, also about 1 billion, includes operating expenditures of our trade advisers in embassies. All Foreign Trade credits therefore amount to some 20 billion francs, of which over 80 percent are applied to big contracts.

Declining Means

What is one to think of this sum, which constitutes the budgetary expression of foreign trade incantations? Two remarks must be made:

1 -- The amount of these credits is relatively modest. If one compares them with our sales abroad (850 billion francs in 1984), the rate of the subsidy

appears to be very low. Credits are essentially allocated to capital goods, which constitute but a fraction of our exports. But the livelier the international competition, the more they accompany semi-finished products, even agricultural products. Today, grain is sold to Morocco or Egypt with 2-year financing, although the duration of amortization of these products absolutely does not justify it.

2 -- The government's room to maneuver regarding the financing of exports is increasingly reduced. During the 1960's and 1970's, French exporters enjoyed a largely competitive system of financing that enabled them to win many deals solely because of the credit terms offered to the buyer. Today, France has allowed itself to be caught in international disciplines it cannot waive. This is the well-known "consensus" of the OECD to which all the big Western countries belong. Governments are no longer free to choose the credit terms they would like to grant for a given project. They are determined by the solvency of the purchaser country and are imposed on all exporters. They now vary between 9.75 and 12.25 percent.

We have thus lost all decision-making freedom regarding commercial credits.

As for our aid credits, the famous "mixed credits" that combine commercial credits and treasury loans, France invented them in the mid 1960's, and they have enabled us to win many contracts. Today, they are also the subject of close international coordination, as most of our partners have developed equivalent mechanisms.

International competition in the field of financial aid supported by the state is now largely codified and poorly tolerated violations.

Of course, nothing forces companies to use the discount financing granted by governments. One very frequently sees German or Japanese banks practice financing in marks or yen well below consensus rates.

Unfortunately, in France, where interest rates are higher than those of the consensus, exporters are forced to follow international rules. Our exporters are therefore doubly bound: within the rates of the consensus by international discipline; below those rates by the law of the market.

The third observation: When we are in competition with other countries on an export project, we often lose the deal because of the practice followed by governments. It consists, in fact, of enabling us to align ourselves with the terms offered by our competitors -- matching -- but never to precede them. We can therefore only rarely make the gesture of being the first to propose attractive credit terms to foreign buyers. In many countries, sensitive to the political signal constituted by privileged export financing, we let ourselves be outrun by our competitors.

Consequently, export policy in the strictest sense of the term is largely illusory. It applies "to the margin" on the export operation itself and often consists of enduring events rather than stimulating them. The 17 billion francs devoted to big contracts are not on a par with the problem.

The real factors affecting the success -- or failure -- of our exports are to be found elsewhere. Our performance on foreign markets essentially depends on the competitiveness of companies, which is itself largely dependent on the general economic policy followed by the government.

Limitations

The macro-economic policy has a direct and mechanical effect on foreign trade figures. The comparative evolution of our rate of growth and that of our main rivals does much more to worsen or rectify the trade deficit than all the imaginable schemes of export aid. The massive injection of purchasing power and the high rate of growth going against the cycle in 1981 and 1982 resulted in an additional deficit of some 40 billion francs in our trade balance. The situational differential therefore plays a cardinal role in our trade results. In this connection, one cannot fail to be concerned upon noting that in 1985, France will register a deficit of some 20 billion, while the people have endured a reduction in purchasing power for the second year in a row and a very low growth rate. What will happen to our foreign receipts if the government emerging from the March 1986 elections decides -- as it will perhaps be forced to do -- to bring about an economic recovery?

Our export results also depend on other aspects of the economic policy. The differential in inflation with the FRG or Italy affects our exports of automobiles or agro-food products. Employment legislation (overtime, hiring, and so on) enables enterprises to adopt rapidly -- or not at all -- to the call of foreign competition. The rigidity -- or flexibility -- of foreign exchange control or customs control facilitates or hinders operations with other countries.

There is still a long list of elements that could influence our export results. One sees that the tools of economic policy (monetary policy, price controls, budgetary policy) are used for purposes characteristic of them (reducing inflation, finance deficit, employment), but are not coordinated for foreign trade purposes.

The government is therefore in a strange -- almost schizophrenic -- situation in which the export policy in the strict sense has nearly no more substance and in which the general economic policy handles everything except foreign trade. Our export results are therefore quite largely independent of the policy implemented by the government. There is no export policy as such, despite ministerial claims. Nor is there any real international element in the general policy.

Foreign trade results are much more involuntary than deliberate.

11,464
CSO: 3519/28

ECONOMIC

GREECE

SIGNIFICANT DROP IN EXPORTS COMPARES POORLY WITH 1984

Athens I KATHIMERINI in Greek 5 Nov 85 p 7

[Text] The negative trends in Greek exports noticed during the current year are due to the drop in exports of agricultural and industrial products.

These trends are confirmed by the Exports Research And Studies Center's (KEEM) data, according to which the drop in exports of agricultural products during the 5-month period from June to May was 21% and the decrease of industrial exports 14% during the same period.

More analytically, the monthly bulletin of the Exports Research and Studies Center gives the following information on the progress of Greek exports during May and the first 5-month period of the year:

The value of our exports showed a notable drop in current value dollars during May 1985 relative to the corresponding month in 1984, while the value of exports for the 5-month period from January to May 1985 dropped sharply in comparison with the same period in 1984. The change in exports of agricultural products was clearly more unsatisfactory than that of industrial ones. Furthermore, from a geographical standpoint, the drop in exports was particularly significant in the direction of member countries of the EEC and of nations of North America (which jointly absorb 60% of the total value of Greek exports). The upward trend of exports to socialist nations continued, as also the downward trend toward nations of the Middle East and North Africa.

In particular, in May 1985 exports reached \$454 million, thus showing a drop of 19.2% versus May 1984 (\$562 million). The change in exports was even more unsatisfactory in May in relation to the same month in 1984 (-23.8%) if the value of exported petroleum products is not taken into account.

In toto, during the 5-five month period from January to May 1985, exports totalled \$1,850 million, that is, they registered a drop of 13% in comparison to the corresponding 5-month period of 1984. The decrease was slightly bigger (-14.1%) if petroleum products are not taken into account.

Categories

In relation to the picture presented by exports during the 4-month period from January to April, a sharp drop is noted in exports of "industrial prod-

ucts classified according to raw materials" (cat. 6), of "foodstuffs and livestock" (cat. 0) and of "miscellaneous industrial products" (cat. 8) in the month of May in comparison to the corresponding month of the previous year. Conversely, exports of "mineral fuels, lubricants" and of "machinery and transportation material" showed an increase.

As regards the geographical distribution of exports during the 5-month period from January to May 1985, in comparison to the corresponding period in 1984, a decrease of 10% is noted in exports to member-countries of the EEC, of 35% toward North America and of 26% toward nations of the Middle East and North Africa. Conversely, exports toward socialist nations rose (+8%), which is due to the increase in exports to nations which are not members of the KOMEKON.

Finally, in comparison to the data of the first quarter of 1985, an improvement in exports to member countries of the EEC and "other countries" is noted in May, versus the corresponding month last year. Conversely, exports to North American nations, the EFTA, socialist countries and nations of the Middle East and North Africa show a drop.

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CSO: 3521/31

ECONOMIC

PORTUGAL

CAVACO SILVA'S CHANCES IN LIGHT OF ECONOMIC DIFFICULTIES

Lisbon EXPRESSO in Portuguese 19 Oct 85 pp 18R-19R

[Article by Jorge Wemans]

[Text] No one doubts that the Portuguese economy will resolutely enter a new cycle of growth next year, thus interrupting the deep recession that has lasted since 1983. That is perhaps the first political quality in which Cavaco Silva can take pride: the ability to control his political star so that he always achieves power at the end of a period of stabilization--before as minister of finance and now as prime minister. Six years ago, the elections were 10 months away, and now we will be holding local and presidential elections in a very short time.

Once again the political timetable is encroaching on economic planning and requiring early decisions concerning steps to be taken. Will it be necessary to adopt an overly "generous" local finance law in order to win the local elections on 15 December? That is not so certain, seeing that the PSD [Social Democratic Party] has other trump cards to play in the area of local government. But winning the presidential election in January presents a challenge with greater risk: it will be indispensable that the voters be able to recognize qualitative differences in the orientation of the economy.

The result is that regardless of the ministerial team chosen, the last 2 months of this year will be a period in which the economic and social "packages" will have to be announced at an accelerated pace, with special attention being paid at this particular moment to presentation of the state budget. And it is not difficult to foresee that the question of faster or slower growth is going to be the keynote of the economic debate in 1986.

Cavaco Silva's Temptation

Between the pressure exerted by the political timetable and the need not to lose control of the external and budget deficits lies the greatest temptation to which Cavaco Silva will be subjected. His political opponents are already issuing warnings about "the tremendous risk of losing the external equilibrium already achieved." Those who held responsible positions in the recent management of the economy say that "no third agreement with the IMF

will be possible in the democratic framework. Recovery must be achieved (is being achieved) gradually and without compromising the future."

Even before the new cabinet's choices are known, debate (and criticism) is underway concerning the intentions attributed to it: "Reducing the ongoing devaluation of the escudo to 0.5 percent (it is currently 1 percent per month) is a mistake whose consequences we will suffer quickly. In the year in which we join the EEC, we must retain some degree of protection for national industry and its ability to export. Reducing devaluation at the precise moment when tariff protection is being reduced may cost us dearly and destroy those sectors in which we have become competitive in recent years."

The defenders of Ernani Lopes argue as follows: "The GDP is rising this year with a deficit of only \$200 million in the balance on current account. Scheduling a deficit of over 1 billion means throwing the country into a cycle of indebtedness such that new investment will not be able to pay for it."

So the tone has been set, and the future prime minister knows what he can expect from the opposition--but that will not prevent him from choosing the options expected of him: a drop in interest rates accompanied by a further reduction in the taxes on banking operations and perhaps a lower rate of devaluation. Very probably, the rest of it will be saved for announcement when the state budget is revealed.

Big Moment

The big moment, and one that will fill the headlines of all the newspapers, will come when the 1986 budget is presented. The scenario can already be predicted without great chance of error. Cavaco Silva, surrounded by several ministers and secretaries of state, will explain the basis of his economic policy impressively and with conviction and announce what the Portuguese want to hear: an increase in social pensions, new arrangements for supporting employment and improved unemployment benefits, a lower tax burden on income from labor, an increase in public spending for investment, higher budgets for local government, and new measures to stimulate investment.

All of that is expected and desired (see the table below). Also expected--by every source we consulted--is an increase in the budget deficit, and this despite the lower interest rate's positive effect on the rise in interest on the national debt, despite the 40 million injected into our revenues by the EEC (by way of FEDER), and despite the new revenues that will be collected as a result of VAT [value-added tax]. Overcoming the restrictions that would favor a reduction in the public sector's financing requirements, the higher spending level, combined with a slight shrinkage in tax revenues, points to an inevitable increase in the deficit--although that may be the great disillusionment as far as the liberals are concerned. Cavaco Silva will have to recognize that it is impossible to make omelettes without breaking eggs: a recovery policy presupposes not only cheaper credit but also a more prodigal state. That fact in itself will not strike a Social Democrat as disgraceful.

The controversy will arise primarily over the question of how much the deficit is going to increase. On this issue, everything depends on the political strength of the PSD leader: on his ability to force his ministers to be more rigorous in allocating the funds at their disposal, with special attention being paid to the funds being administered in the area of employment.

Ernani Lopes lost that battle, but Cavaco Silva cannot afford to lose it. In the subsidies, credit allowances, and other benefits distributed by the ministers and paid from the state budget, too many millions of contos are at stake for such things to be left up to sectoral decisions that are sometimes at cross-purposes with government policy. That is one way of keeping the deficit from growing too much (see the table). A prime minister familiar with the labyrinths of government accounting cannot prolong the situation and thus expose himself to criticism that promises to be violent. And unlike the situation in 1980, there is now no possibility that the value of gold will increase and make it possible to save 14 million in interest on the national debt in one fell swoop.

Investment and Employment Resistant

Once budget policy and the major planning options have been decided on, the short-term balance sheet will be complete, and the government's popularity will rise a few points. It remains to bring about concrete improvements in two areas that are slower to change: investment and employment.

Considering the low utilization of installed capacity that still persists today, it is to be expected that the recovery in investment will not be immediate (except in the export sectors, which are continuing to show signs of liveliness). And while the larger volume of orders for public works will put new life into civil construction, the sale of housing already built is still a problem and one without a simple solution.

Some time will therefore have to pass before the domestic market expands enough to stimulate productive investment. The first sign will naturally come in the form of inventory replenishment--but will that be enough to create the climate required by the lucky star of Sa Carneiro's minister of finance?

Related to investment is unemployment in its many Portuguese facets, which include wages in arrears. While the government still in office has "plugged the holes" as far as state-owned transportation firms are concerned, almost all the problems involving state-owned industrial firms remain to be solved. The agreement with the World Bank on a large loan intended to facilitate reorganization of the half a dozen white elephants populating that area is practically signed. But financial solutions are not the whole answer, and the elimination of jobs is considered inevitable. That solution will make unemployment worse precisely in those regions where the most serious social problems exist.

Increasing the rate of employment therefore emerges as one of the biggest challenges facing the next government, which may be putting too much trust in the new jobs that may be created by the recovery in civil construction. While

social security may play an important role as far as back wages are concerned, employment is a variable requiring that a decisive role be played by the private sector. And for the private sector, a climate of confidence in the management of economic policy is not enough. What is needed is a sense of risk and the cooperation of an administrative apparatus which so far is bureaucratically more interested in putting up obstacles than in facilitating the establishment of new enterprises.

But as far as employment and investment are concerned, no one can expect spectacular changes in 2 months. So those two issues will have to be given the "benefit of the doubt" until after January.

Art of Reviving the Economy

Taking advantage of an international economic situation that shows no signs of a rise in the value of the dollar or of higher petroleum prices, and coming to power at a time when the "end of the tunnel" is in sight, Cavaco Silva can even thank the government of the center bloc for the failures he accuses it of: the prolonging of the recession and the inability to restart the economy. That job is now his responsibility, and there are positive expectations that he will carry it off. Besides the difficult areas already discussed, doing so will involve rigorous management of confidence in the government and of coherence among the various decisions of an economic and social nature.

In terms of public image, 1980 probably provides the example of what good management in this area must consist of. The PSD leader was one of the first to draw attention publicly to the errors of Mario Soares' government, which was prodigal in "raising issues" that turned public opinion against it, rich in interministerial conflicts fought out in public, and splendid at announcing decisions that later became paralyzed by the lack of consensus.

Thanks to his personality and the strength he enjoys within his own party, the future prime minister is in a position to avoid going into the same skid. But developments in the power struggle among the parties throughout 1986 are likely to make the management of complex trends difficult in a field where the former manager of the Bank of Portugal's Research Department has not proven himself.

On the other hand, as regards the political strategy which he sketched out and which enabled him to come to power by putting an end to the coalition between the PS [Socialist Party] and the PSD, there are now several analysts in his area who are lamenting the victorious inroads made by the PRD [Democratic Renewal Party] thanks to early legislative elections. Despite that, however, and for the present, it is the election victory of 6 October that counts. Or can it be that a new presidential hitch is already preparing the way for the collapse of a formula for government even before that formula takes shape?

The art of reviving an economy profoundly different from the kind that we saw imitated before June 1983 is not compatible, however, with the public's perception of the government's fragility. And that will surely be the final image that Cavaco Silva will present of his government. It will not be

enough to guarantee the stability and permanence of the government that will soon take office. In any case, the very time of year in which it is assuming power provides the new government with the opportunity to adopt measures for defining the economic framework for 1986. The debate will be centered on those measures, even if the government team administering them is different.

Expectations Also Count

Now that 5 years have passed, has the economic policy of 1980 already entered the category of "myth"? The answer to that question may be complex, but it is probably a simple matter to verify that Cavaco Silva's rise to power and the positive expectations now centered on him emanate more directly from the constant reference to "Sa Carneiro's economic policy" than they do from the economist's own words.

The force of facts imposes itself on any uncomplicated discussion of recent developments in the Portuguese economy to counter those displaying the certainty that they saved the country from bankruptcy, and the real question is this: in which single year over the past 10 did the workers' purchasing power rise? The answer: 1980.

And we have said enough about economic policy. At least in nonacademic or business circles, the memory of 1980 goes no further than the items above the horizontal line in the table below: inflation slowed abruptly, unemployment declined, wages were up, investment rose spectacularly, the GDP was up, and pensions were up. Who remembers that the public-sector deficit continued to grow and that our external accounts began a new cycle of serious imbalance?

And the hope, or at least the expectation, remains: 1986 may be as good as 1980.

Benefits of Deficit

Dealing with that favorable expectation will be one of Cavaco Silva's most permanent concerns. He has always maintained that economic policy is not built by publishing figures but gains credibility from the way in which governments sustain the relationship between the state and economic agents.

But the PSD leader can rest relatively easy as far as the results for 1986 are concerned. Even if he does nothing spectacular, the results will be spectacular by themselves. All the cyclical ingredients will come together next year to make it a better year than 1980 and to do so without jeopardizing the future. The government of the center bloc failed in its timing and in the conviction it placed in recovery. But it is leaving the house in relatively good order, with the macroeconomic indicators moving in the right direction. With two exceptions, however: employment and the public-sector deficit. And those are the areas in which the art of governing may produce more important surprises.















In relation to 1985, on the other hand, the estimates worked out by us are not likely to undergo any major changes. All the sources we contacted agree with

them, the only difference being greater uncertainty regarding the public-sector deficit, although the current rumor in government departments is that the next supplementary budget will not fiddle with the deficit.

And so we will enter 1986. With a rate of inflation that does not seem very credible, but one that may still be reduced if VAT does not go into effect in January. And with macroeconomic objectives that are sure to increase the popularity of the government in office.

On the basis of the room for maneuver made available to him by the previous administration, Cavaco Silva may choose goals different from those we used to depict next year. He may introduce a greater or lesser degree of ambition and more or fewer incentives for economic recovery. That will undoubtedly be the central discussion in the year to come--during which we will see many of those who were recently justifying the "evils" of the budget deficit perorating in defense of the advantages of a "qualitatively" different deficit.

What Can Be Expected of Cavaco Silva

	1979		1980		1985*		1986
Inflation	24,2%		16,6%		19,5%		14%
Employment	8,1%		7,9%		11%		10,5%
Real wages	- 3,5%		+ 4,3		+ 1,5%		+ 4%
Investment (gross fixed capital formation)	- 1,6%		+ 9%		- 9%		+ 6%
Gross domestic product	+ 4,5%		+ 5,5%		+ 1,5%		+ 3,5%
Current-account deficit (millions of dollars)	52		1251		180		1200
Public-sector deficit (percentage of GDP)	9,9%		10,9%		13%		13,5%

* Estimate based on available data.

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ECONOMIC

SWEDEN

FELDT DESCRIBES GOALS FOR ECONOMY

Stockholm DAGENS NYHETER in Swedish 21 Oct 85 p 11

[Report on interview with Minister of Finance Kjell-Olof Feldt by Peder Carlquist and Jan Wifstrand; date and place not specified]

[Text] "The institutions in the stock market must be more active as owners."

"Executives in 'cross-linked' firms are not necessarily worse as owners than fund administrators are."

"No, we do not have a good technical solution today for taxing wage drift."

So said Minister of Finance Kjell-Olof Feldt in an interview with DAGENS NYHETER concerning the stock market, contacts with industry, and the upcoming wage negotiations.

One can scarcely find a Social Democrat with as practical and undogmatic a view of private ownership, the stock market, and capital formation as that held by Kjell-Olof Feldt. This applies to his attitude toward the distribution not only of income and wealth but also of power and influence. It actually makes no great difference who exercises power in exchange-listed firms as long as that power is exercised responsibly, says Feldt.

The minister of finance was discussing the vital issues of capitalism in his little compartment above Parliament's assembly hall. From time to time, he flipped on the internal broadcast from the Chamber so that he could be ready to dash down when it was his turn to answer questions of a less fateful nature: those concerning joint taxation for married couples, cooperative housing rights, and pay for farmers.

He described the Social Democrats' constant balancing of the need for capital formation and owners who take responsibility for enterprise on the one hand and, on the other, the need for an equitable distribution of incomes and wealth--a balancing act which he says is just as topical today as it was 60 years ago.

Two Trends

The stock market and power in exchange-listed firms are characterized by two important trends today:

First, the number of individual stockholders with very small holdings (many of them simply owning shares in various kinds of mutual funds) is increasing, while the number with very large holdings is declining.

Second, the big institutions--that is, insurance companies, pension funds, mutual funds and investment funds, wage earner funds, and other firms--are forcing out private individuals as big investors in the stock market.

We asked: "Is this a desirable development?"

Feldt said: "I am of two minds concerning the spread of stock ownership. On the one hand, scattered and widespread ownership by the public is good. But as a representative of the government, I naturally want to see large and strong owners who can take responsibility when a firm enters a crisis.

"Institutionalization is a development occurring both in Sweden and in other Western countries. It is said that the reason in Sweden is the excessive tax on shares, but there are no grounds for saying that. Trying to turn the trend around and entice really big private fortunes back into the stock market would require very sharp reductions in wealth and income taxes on individuals. And that is not possible from the standpoint of the distribution policy.

"When it comes to ownership itself, I am neutral on the question of whether it is best exercised by wealthy individuals or institutions. The important thing is that big owners should take responsibility when a firm enters a crisis."

More Responsibility

We asked: "So it makes no difference that the stock market is becoming a dance floor only for the 'big elephants,' as the institutions are commonly called?"

Feldt answered: "No, it doesn't, provided that they take more responsibility as owners than they do today. They currently act very much like small savers. That is, they view their holdings purely as financial investments--they 'vote with their feet,' as the saying goes. That is where they must change their attitude. Otherwise, they are going to be forced to sooner or later."

"Cross-Linked" Ownership

Kjell-Olof Feldt does not share the widespread fear among stock market people and share investors of so-called cross-linked ownership--that is, situations where firms buy other firms, with the result that company management becomes independent of outside owners.

"It is not necessarily true that executives are worse as owners than insurance company managers or fund administrators, for example. It is the latter, of

course, who are the alternative now that big individual stockholders seem to be on the way out. The difference, naturally, is that it may be harder for company management to find new risk capital."

Feldt says that those who describe Swedish taxation of shares as especially stiff are not looking at the whole picture. They should also consider the tax on corporations, which is exceptionally favorable in Sweden, with generous provisions for tax-free reserves in companies. This benefits the stockholders through the appreciation of their stock, he says.

He rejects worries that there will be some quick changes in the taxing of shares.

"I have said that we are going to reduce inheritance and wealth taxes on shares to eliminate the so-called Kistner effect. Since we cannot, or do not want to, change the total tax burden on shares, we want to match that with a higher tax on the sale of shares. But doing so is not simple, since small stockholders can be hit with a higher capital gains tax without corresponding relief in the form of a lower wealth tax. This has to be studied first."

But the minister of finance promises that there will be no change in the tax on stock sales, either upward or downward.

Contact

The government's contact with the business community at the top level has changed quite radically in recent years. When major decisions were in the works in earlier decades, it was most often the obvious dominant figure in the Swedish economy, Marcus Wallenberg, who had an informal direct channel to the government.

Now it is the head of Volvo, Pehr Gyllenhammar, representing the other big block in Sweden's economy, who seems to have the closest and most trusting contacts with the government's core.

Kjell-Olof Feldt confirms the main outlines of that picture, but dissents to some extent:

"It is true that Marcus Wallenberg has not been replaced in that sphere, but on the other hand, we have equally good contacts with a number of other executives there. And in fact, I sometimes meet with Peter Wallenberg.

"It is wrong to say that Pehr Gyllenhammar has assumed the role as some sort of spokesman for business. I am a personal friend of Pehr Gyllenhammar's, so I also see him in situations where we do not talk business, but to the extent that we do, it has always been in connection with Volvo."

Attitude

Volvo's chief has recently been drawing cautiously closer to the Social Democrats by making quite favorable statements about the government's economic

policy. It seems obvious today that Pehr Gyllenhammar's attitude toward the Social Democrats is different than that, for example, of a strong spokesman for the business community in the other corner, former SAF [Swedish Employers' Confederation] chairman Curt Nicolin.

We asked: "Does this ideological difference in degree play any role as far as contacts are concerned?"

"Yes, I think so. But it depends on what kind of problems we want to solve. We do not meet with Nicolin or anyone else to exchange views and philosophize in general. What is usually involved is a specific problem they want solved, and ideological-political overtones play a quite minor role in such cases. But more generally, it is naturally significant that Nicolin participates very actively in a political campaign directed against the government. That, of course, does not improve the possibilities for trustful dialogue."

Joke

"But the fact that Pehr Gyllenhammar and I are personal friends does not mean that we have confidential discussions concerning Volvo's interests. I am very scrupulous about keeping the two areas separate."

In the midst of our discussion about the two big power blocs in Swedish industry, Feldt's telephone rang in the Parliament office. Pehr Gyllenhammar was on the other end of the line--and Feldt was lightning fast in making a joke of the situation.

"Ha! Here I sit with two reporters from DAGENS NYHETER asking me questions about the contrasts between Volvo and the Wallenberg camp. A person would think it was planned!"

The answer from the other end remains unknown, but it was as clear as anyone could wish that Gyllenhammar was calling up to get a review from Feldt, the minister of finance and his buddy, of the latest move in the debate--the proposal in AFTONBLADET to scrap the wage negotiations and distribute the profits in Sweden afterward.

Slowing the Pace

"Oh yes, I got your article," Feldt mumbled and then listened for a while before saying abruptly that at the moment, he was more curious about how the SAF would choose to act in the upcoming wage negotiations.

"We'll get together for dinner in November," was the final answer in what, considering the situation, was an unusually well-timed telephone conversation.

It is precisely the upcoming wage negotiations which are the main worry ahead for the government's economic policy. Feldt and the new minister for wages, Bengt K. A. Johansson, intend to do everything possible to induce the parties involved to slow the pace of wage increases. But not according to some revolutionary new pattern. They don't have one.

The minister of finance is hoping above all that private employers will be willing to follow the same pattern as the last time--meaning that the Metal Trades Employers Association would agree, within the framework established by the SAF, to set up a wage standard common to all and including wage drift. The norm could then be adjusted in detail at the union level.

He says: "That would be a reasonable compromise between the differing aspirations among the employers.

"Thanks to that policy, we have come halfway and in fact have gotten the rate of wage increases down from 9 or 10 percent to 7 percent since the Rosenbad talks. We almost never got that far before. Now we must bring it down further."

We asked: "Halfway--does that mean getting down to 5 percent the next time?"

He answered: "You said it. I didn't."

Plans

DAGENS NYHETER revealed previously that the government is contemplating several plans for forcing down wage drift. To begin with, it wants to use fines and other methods to force employers to stop their member firms from granting extra pay increases not covered by the central agreements. If that does not work, the government is considering direct economic sanctions against firms that do not follow the agreements.

But the government has no technically good method for--to take one example--taxing wage drift.

"No, none that is good. The question was carefully studied, and the result was rather discouraging to all keen supporters of the idea. But it is clear that we can use methods that are not good technically."

The government and the Employers Department have emphasized several times that there will be a large so-called overhang after this year's agreement with government employees and that it must be regarded by the organizations in the national and local government sector as already signed away in next year's agreement. Depending on how much is included, that overhang is said to total between 4 and 6 percent. What that means in practice is an offer of no direct increases for government employees, since the scope for wages is no larger than that.

The main reason for the overhang is that the employers pushed for and received the okay to put through wage increases at a late date--1 July of this year--under the 2-year agreement covering 1984 and 1985. The TCO-S [Government Employee Section of the Central Organization of Salaried Employees], the KTK [Local Government Civil Servants Union], the Local Government Employees [as published; may be an expansion of KTK], and others naturally object that it was not they who wanted the delayed increases and that they should therefore not have to suffer because of the overhang.

Feldt says: "Of course not, but once an agreement is reached, both parties are accessories to it. They agreed that the increases would be paid out in that way. The costs are there and cannot be ignored.

"The problem, of course, is that the government employees are claiming that the overhang is zero. We insist that the direct costs for 1986 that result from the agreement entered into must be taken into account. On the other hand, we do not intend to argue that the results of this year's wage development guarantees and renegotiation are something that should be deducted from wage increases in next year's negotiations."

We asked: "Does this mean that you are arguing for an overhang of about 3 percent or at any rate not much more than that?"

"Yes, somewhere around that.

"It can be said that this entire agreement was a mistake, since it had a number of provisos. But we cannot saddle the other party with that twice by arguing that the results of the provisos must also be excluded."

Warnings

The employees have already been warned several times to show restraint in the future. For their part, the stockholders this year have had to accept a freeze on higher dividends (although a number of exemptions have been granted).

We asked: "That being the case, can the government allow the firms to raise their dividends as much as they want next year? Won't this stick in the craw of the employee organizations?"

He answered: "Yes, it certainly will, but the belief that we will be able to control this by establishing regular intervals does not hold water. If the policy of the firms is that they want to increase their dividends, they are going to do so sooner or later."

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ECONOMIC

TURKEY

PARLIAMENTARY, ECONOMIC PERFORMANCE SINCE 1983 ELECTIONS SURVEYED

Parliamentary Changes Described

Istanbul CUMHURIYET in Turkish 6 Nov 85 p 6

[Article by Betil Uncular, Faruk Bildirici, Canan Yazgangil: "TGNA's 2-Year Balance Sheet, from 6 November 1983 to 6 November 1985"]

[Text] Ankara - The structure and appearance of the transition-to-democracy parliament formed by the 6 November 1983 elections have changed dramatically in as short a time as 2 years. Three changes have occurred in the government. While 41 resignations have skewed parliamentary arithmetic, many articles of the 1982 Constitution, adopted by 92 percent of the popular vote, have begun to be debated, the ones on political bans in particular.

While SODEP [Social Democratic Party], which did not take part in the 6 November elections, has chosen to merge with the PP [Populist Party] and has succeeded in getting into parliament through this channel as the SPP [Socialist People's Party], independent Vural Arikan left ANAP [Motherland Party] and launched the search for a new party in the TGNA [Turkish Grand National Assembly]. Meanwhile, the DLP [Democratic Left Party] is expected to be represented in the Assembly in the near future by the four independent deputies who have been announced as the founders.

The first crack in the government appeared with the dismissal of Finance and Customs Minister Vural Arikan by the president in 1984 on 26 October because of the Kapikule customs smuggling scandal. Minister of State Ahmet Kurtcebe Alptemocin was moved to Finance and Customs to replace Arikan and he was replaced by Ahmet Karaevli. Meanwhile, the prime minister's brother-in-law, Ali Tanriyar, resigned from the Ministry of Interior over the same incident and was replaced by Assembly Deputy Speaker Yildirim Akbulut.

The second change in the government exploded upon the scene with the incident involving Minister of State Ismail Ozdaglar. Ozdaglar was accused of taking bribes from the Um Shipping Company and, while the case went to the High Court, the vacated post of minister of state was filled by Energy and Natural Resources Minister Cemal Buyukbas. Minister of State Sudi Turel was moved to the ministry vacated by Buyukbas, and Turel's place was taken by Istanbul National Deputy Mustafa Tinaz Titiz.

The third change in the Uzal government came when National Education, Youth and Sports Minister Vehbi Koceler became a minister of state. On 13 September 1985, Cemal Buyukbas resigned from the Ministry of State and Dincerler replaced him. Planning and Budget Commission Chairman Metin Emiroglu became national education, youth and sports minister. After 2 years in power, 13 of the 21 members of the Council of Ministers remain in their original jobs.

Erratic Assembly Arithmetic

The Assembly arithmetic, which was ANAP 211, PP 117, NDP [Nationalist Democracy Party] 67, independents 4 and 1 vacancy after 6 November, has completely changed today. The first resignation from the Assembly was Rustu Sardag, PP, when he left his party on 29 March 1984. Next was Nazmi Onder, NDP, on 25 April 1984. The death of Mucip Atakli, PP, on 18 November 1984 reduced the number of PP seats to 115.

Following the resignation on 20 December 1984 of Turkan Arikan, who had been suspended from ANAP, Assembly arithmetic remained stable until 1984. On 6 January 1985, however, Mahmut Akkilic, PP, passed on and, on 5 February 1985, ANAP member Ali Kemal Eldem. In February, NDP resignations followed one after another. Iskender Cenap Fge, Murat Sokmenoglu, Abdurrahman Demirtas, Galip Deniz, Feyullah Yildirim and Mustafa Corapcioglu all resigned from their party. In March, Sabri Keskin and Sadettin Agacik resigned from the NDP, while PP Sabri Irmak resigned from his party. On 22 March 1985, NDP member Emin Alpkeya passed on.

The first resignation in May was ANAP member Vural Arikan's. Galip Deniz had retracted his resignation from the NDP, but resigned a second time on 27 June. Because of his resignations and returns, Galip Deniz was dubbed the "resignation record-holder" among national deputies.

Sabri Irmak returned to the PP after the convention in July, while Yilmaz Hocaoglu and Erdal Durukan left the NDP.

The Assembly went into its second legislative year with membership at ANAP 208, PP 114, NDP 55, independents 18 and 5 vacancies, but was to be the scene of numerous resignations in as short a period as 2 months.

During the first legislative year, the government had given weight to government by decree, but the Assembly agenda became clogged with nearly 200 statutory edicts. Meanwhile, the Assembly tackled amendments to many laws passed during the National Security Council period. While amendments to the bridge and dam income sharing, zoning waiver and tax laws and important laws such as property sales to foreigners, the police act, the VAT, zoning, remorse and smuggling amnesty laws were being pushed through the Assembly on the strength of ANAP votes without the opportunity for extensive debate, the opposition seemed unable to make an impact on the TGNA except on the police law.

While the government was patting itself on the back for passing so many laws, 11 of them were vetoed by the president. And the Constitutional Court struck down two.

Changing Leaders

With the exception of Prime Minister Turgut Ozal, the leaders of the Assembly parties were unable to hold on to their positions in the first conventions. Founder and general chairman Necdet Calp relinquished his position to Aydin Guven Gurkan at the PP convention, held during the Assembly recess, and founder and general chairman Turgut Sunalp of the NDP relinquished his to Ulku Soylemezoglu.

Changes in leadership brought to the agenda the question of left and right solidarity, and the first step taken in this direction came with the PP-SODEP merger. Next, the first official steps were taken towards an NDP-CWP [Correct Way Party] merger.

The changes in arithmetic accompanying the start of the second legislative year brought about debate of article 84 of the constitution. Proposals for amendments to the provisional articles of the constitution on political bans began to be heard frequently in the Assembly. ANAP member Abdullah Nejat Resuloglu infuriated his group by his personal efforts towards getting the political bans lifted and became the second national deputy to be suspended from the ANAP for 1 year.

The new party leadership brought the start of complete confusion in the PP Assembly group. Members who opposed the leadership and who could not accept the methods employed in the SODEP merger revolted against Necdet Calp's chairmanship. By the time the in-fighting was over in the PP group, which was unable to select a TGNA deputy speaker candidate for this reason, the number of deputies had fallen to 88.

Introduced to the public by Rahsan Ecevit as DLP founders were Turgut Sozer, Nuri Korkmaz, Fikret Ertan and Suleyman Koyuncugil who resigned from the PP. By the time the SPP was formed, Selahattin Tafliloglu, Cemal Ozdemir, Yilmaz Hasturk, Salih Gungormez, Sukru Yuzbasioglu, Kemal Gokcora, Nuri Uzel, Hayrullah Olca, Orhan Oag, Mehmet Kafkasgil, Gunseli Ozkaya, Ihsan Gurbuz, Seref Bozkurt, Huseyin Aydemir, Husamettin Konuksever, Resit Ulker, Davut Abacigil, Mehmet Azizoglu, Selcuk Akinci, Sabit Batumlu and Riza Tekin had resigned from the PP. Sukru Babacan was expelled.

Fevzi Erdinc resigned from the NDP, and NDP member Mustafa Izci died on 13 October.

All eyes in the TGNA are now focused on the interim elections to be held next year. It is being said in the Assembly, where the number of independents reached 45 just as the second [as published] legislative year begins, that the possibility of early [general] elections depends on the outcome of the interim elections.

Economic Performance Assessed

Istanbul CUMHURİYET in Turkish 6 Nov 85 p 6

[Text] Ankara (ANATOLIAN AGENCY) - Leaders of professional organizations have assessed the economic situation as the second year since the 6 November elections comes to a close.

Ersin Faralyali, chairman of the board of directors of the Turkish Union of Chambers and Stock Exchanges, asserted that the economic policies pursued by the government "were not strange to them" and said that many important economic decisions which the government had wanted to adopt prior to 6 November but could not have been boldly adopted during this period.

Noting that the outcome of these bold decisions could not be fully assessed during the 2-year period, Faralyali said, "Inflation reduction goals could not be met. Therefore, credit interest could not be reduced, and while business is in a desperate struggle with daily financing problems on one hand, investments have completely stopped on the other."

Sadik Side, general secretary of TURK-IS [Turkish Confederation of Labor], suggested that Turkish economic policy has reversed itself from the concept of "development for the people" to "development in spite of the people." "The government, which has been governing for 2 years by statutory edict despite its majority in parliament, has made the economically weak even weaker," he said.

Noting that the state enterprises have hiked prices almost every week, Sadik Side said, "Liquid fuel prices carry over to everything. Despite inflation goals set at 25 percent at the beginning of each year, it climbed to 52 percent in 1984 and 47 percent in 1985."

Resat Kursan, vice president of the Turkish Union of Chambers of Agriculture, in evaluating the 2 years' developments in the agriculture sector, said that Turkish agriculture has not been subsidized or encouraged since the opening to the outside began and lags behind subsidized Western agriculture which uses advanced technology.

Memduh Ureyen, acting general chairman of the Turkish Confederation of Trades and Crafts, also noted that the goals for inflation had not been met and said that a large portion of small businesses which could not stand the market conditions in which costs rise so rapidly had folded and others were working in "rallentando."

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ECONOMIC

TURKEY

OZAL DISCUSSES TAX REBATE, PREPAID TAX

Istanbul TERCUMAN in Turkish 4 Nov 85 p 6

[Text] ECONOMIC SERVICE - At the dinner night before last at which businessmen got together with Prime Minister Turgut Ozal, the businessmen voiced their complaints about the prepaid tax and the reduction of tax rebates, while the prime minister asserted that these practices would not change and asked the businessmen to invest in the eastern part of the country.

Vehbi Koc, who said little throughout the meal, joined Sakip Sabanci in saying that "the prepaid tax would be a heavy burden for firms now in a financing squeeze." Vehbi Koc and Sakip Sabanci emphasized that the troubled firms were also paying the VAT and touched on the difficulty these firms would have in making the necessary payments if the prepaid tax were based on the VAT.

Prime Minister Ozal repeated that they were not considering discontinuation of the prepaid tax and said that it would be a withholding tax and that a formula would be found to help troubled businesses. In response to criticisms of the 6-point hike in the corporation tax, Turgut Ozal said, "The corporation tax was raised to 46 percent, but companies that raise their shares to counter this will not pay income taxes when they distribute profits."

In reference to the phase-out of the tax rebate on textile exports by the end of the year, Raif Dinckok said, "This practice will have a negative effect on exports. Those who invested on the basis of the old tax rebate rate will be harmed by being unable to sell their goods. The tax rebates on exports should be reduced over a longer period of time."

Mustafa Suzer said that the increasing accusations of phony exports recently were damaging the image of exporting firms. "Some firms are being tightly squeezed lately, even attacked. These practices ought to stop," he said.

Nurullah Gezgin, speaking at the dinner, suggested that rising costs caused by frequent price hikes on products of the state economic enterprises and electricity were the drag on industry.

In response, the prime minister said, "The price hikes are a necessary feature of our policy and have to continue." Ozal said that a new formula would be devised for tax rebates of more than 4 points given to export corporations, based on costs incurred during the exportation process.

In voicing their complaints (about the regressive practices), the businessmen used as an example the change made in the letter of credit procedures in May. Halit Narin, president of the Turkish Employers' Union, noted that, although employers could show many things from counsel fees to travel expenses as costs, they still could not write off union dues as costs and said they had been trying unsuccessfully for years to get this change made. Feyyaz Berker drew attention to the drop in milk production because of the decreasing numbers of livestock.

Invest in East

In response to the prime minister's request that businessmen invest "definitely in the east," the businessmen asked for the "reduction of credit interest, completion of infrastructure facilities and, in addition, the donation of Treasury lands for the investments." Prime Minister Turgut Ozal then said, "The infrastructure investments in the east will be completed within a year and a half. Problems involving energy, telex and telephone service will be resolved. Definitely, go east."

Businessmen attending the dinner also touched on the advantages in the ongoing dialogue which has been started with the prime minister and pointed out that they would do everything they could for the success of the liberal economy which they already support.

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ENERGY

NORWAY

BRIEFS

NORTHERN CAP AS GAS MARKET--Use of gas for energy as well as industrial purposes is a possibility that is becoming increasingly interesting, says Rolf Hellem, chief of the project "The Northern Cap--a Gas Market?" The project group recently held its first meeting and is composed of representatives from Norway, Sweden and Finland. They will study more closely the possibilities of exploiting the gas finds off Troms and Finnmark. "Does it make any sense at all to leave considerable oil and gas reserves off North Norway far into the next century, while the Northern Cap is being depopulated today?" Rolf Hellem asked in an interview with the Provincial Committee of the North Norway press service. "It will be a bad policy for Norway to base itself solely on gas as a mere export article. It is high time for us to begin refining the gas. And in this very area North Norway has its great opportunity. We should not miss that opportunity. It is in the context of the Northern Cap that we have the greatest possibility. North Norwegian gas with the Northern Cap as its market must become a success," says Rolf Hellem. [Text] [Oslo AFTENPOSTEN in Norwegian 14 Nov 85 p 46] 7262

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